ST. HELENS BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2010-2011

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FOREWORD

By the Chief Financial Officer

The intention of the Statement of Accounts is to give the reader a view of the finances of St. Helens Council. The Statement of Accounts which follow demonstrate the Council's financial performance for the year ended 31 March 2011 and present its overall financial position at the end of that period. To assist the reader an explanation of the various sections contained within the Statement of accounts is set out below:

Statement of Main Principles, Accounting Policies and Estimation Techniques
Details and explains the Accounting Policies adopted by the Authority.

Statement of Responsibilities for the Statement of Accounts
This outlines the responsibilities of both the Authority and Chief Financial Officer.

Annual Governance Statement
The Authority has adopted the Code of Corporate Governance and this statement explains how the Authority complied with the code and monitored its effectiveness.

Movement in Reserves Statement
This statement shows the movements in the year on the different reserves held by the Authority and splits them into usable and unusable reserves. Usable reserves can be used to fund expenditure or reduce the council tax; unusable reserves cannot. The reserves represent the Council’s net worth.

Comprehensive Income and Expenditure Statement (CIES)
This statement is fundamental to the understanding of the Authority’s activities, in that it reports the net cost for the year of all the functions for which the Authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will differ from the Council’s internal reports (e.g. Corporate Financial Report). However, the Council’s overall financial position, i.e. working balances and reserves, will be the same.

Balance Sheet
This shows the Authority’s financial position at the financial year-end including balances and reserves, the non current and net current assets employed in carrying out the Authority’s functions and its long-term liabilities and includes summarised information on the fixed assets held.

Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes during the year and shows the changes to the Council’s cash and ‘cash equivalents’ during the financial year.

Notes to the Core Financial Statements
Additional information concerning items included within the core financial statements, including additional pensions’ disclosures as required by IAS19 *Employee Benefits*.

Supplementary Financial Statements – Collection Fund
This statement shows the income received from Council Taxpayers and Non-Domestic Ratepayers and how the income is distributed between St Helens Council, Merseyside Police Authority and Merseyside Fire & Rescue Authority.

Each account within the Statement of Accounts contains an explanatory note covering the purpose of the account and more detailed notes explaining key items. The statements have been prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.

The form and content of the Statements have, once again, undergone changes in 2010-2011 as a result of amendments imposed by the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom* 2010-2011, details of which are highlighted in the Notes to the Core Financial Statements. In prior years the accounts were based on UK Generally Accepted Accounting Principles (UK GAAP). The Authority is now obliged to produce the accounts under International Financial Reporting Standards (IFRS), a change that has required prior year figures to be restated for comparability. There are notes within the accounts that explain the impact that this change has had on the accounts of St. Helens Council.

REVENUE SPENDING IN 2010-2011

The original budget was set in March 2010 at £181.875m. In setting the budget at this level, increases in Council Tax were limited to 0.5%. The actual expenditure against this budget is summarised below:-

	Allowed Estimate £m	Actual £m	Variance £m
Spending on St. Helens Services	146.727	134.647	(12.080)
Precepts and Levies	25.082	25.082	0.000
Capital and Treasury Costs	10.066	9.433	(0.633)
Expenditure	181.875	169.162	(12.713)
Revenue Support Grant (RSG)	(11.157)	(11.157)	0.000
Business Rate Pool Receipts	(76.838)	(76.838)	0.000
Income from Council Tax	(64.141)	(64.141)	0.000
Area Based (ABG) Grant	(29.873)	(27.020)	2.853
Income	(182.009)	(179.156)	2.853
Transfers to/(from) Earmarked Balances	3.760	15.137	11.377
Net Contribution (to)/from General Fund Balances	3.626	5.143	1.517

The net underspend, excluding transfers to/from Balances (£9.9m), resulted from the following:-

	£m
Reduction in Pay Awards (from 1% to NIL)	(0.9)
Removal of conditions on certain specific grants	(3.0)
Portfolio Underspends due to:-	
- Cuts in spending in response to and over and above Governments' reduction in Area Based Grant funding (July 2010)	(1.6)
- Recruitment freeze, spending moratorium and early implementation of savings proposals for 2011-2012 Budget Strategy	(7.1)
- Termination and post-employment benefits	4.1
- Managed underspends and technical adjustments subject to formal carry forward requests (to 2011-2012)	(1.2)
- Increased dividend from Yorkshire Purchasing Organisation (purchasing consortium)	(0.2)
Net Underspend	(9.9)

After agreed budget carry forwards of £1.2m the balance of the underspend has been transferred to Earmarked Balances (Service Modernisation Fund) in order to maintain a level of working balances (General Fund Balance) commensurate with the risk assessment carried out as part of the Budget Strategy for 2011-2012.

	£m
General Fund Balances 1 April 2010	19.0
Add 2010-2011 underspend	9.9
Balance transferred to Earmarked Balances	(15.0)
General Fund Balances 31 March 2011	13.9
Less 2010-2011 underspends carried forward to 2011-2012	
– Portfolios	(1.2)
– Ward Committee Environmental Fund	(0.9)
Add New Homes Bonus monies in 2011-2012	0.2
Working Balance	12.0

RESERVES & BALANCES

In addition the Council has other usable Reserves & Balances in the form of the following:-

- Schools Balances £6.9m
- Capital Receipts £49.4m
- Unapplied Capital Grants £3.4m
- Earmarked Reserves £38.7m

A detailed list of Earmarked Reserves is shown in the Notes to the Core Statements.

Balances relating to 4NW (formerly the North West Regional Assembly (NWRA)), for which St. Helens is the lead authority and accountable body, equated to £2.608m as at 31 March 2011.

CAPITAL SPENDING IN 2010-2011

The Council spent £60.745m in 2010-2011 on capital items, with the most significant being:-

Capital Programme Schemes	£m
Hope Academy	12.961
Primary Capital Programme	7.922
Highways & Transportation Schemes	5.077
De La Salle High School	3.736
Housing Assistance & Disabled Facilities Grants	3.464
Former UGB Site	3.326
Wesley House Acquisition	2.834
Queens Park Leisure Redevelopment	2.683
Cowley Language College	2.129
Red Bank	1.685
Vehicle Replacement Programme	1.331
Sure Start & Early Years	1.283
Business Continuity - ICT Infrastructure	1.216
School Devolved Formula Capital	1.171

The financing of this expenditure was by the following methods:-

Type of Funding	£m
Grants & Other Contributions	38.878
Borrowing	13.202
Capital Receipts	8.665
TOTAL	60.745

PENSIONS RESERVE/RETIREMENT BENEFITS

The majority of non-teaching staff employed by the Council are members of the Local Government Pension Scheme (Merseyside Pension Fund). Teachers are members of the Teachers Pension Scheme.

The Council's Accounts contain information on the retirement benefits relating to these schemes in accordance with IAS19. Under IAS19 the Council is required to recognise the cost of retirement benefits in the net cost of services where these are earned by the employees rather than when the benefits are paid out as pensions. However, adjustments are made in the accounts to ensure that the amount charged to council taxpayers relates to the actual cash paid in the year (i.e. employers contributions to the scheme).

The Council's Balance Sheet highlights the fact that the long term pension net liability has reduced in the year from £241.0m at 31 March 2010 to £178.5m at 31 March 2011, mainly as a result of changes in actuarial assumptions and changes to the operation of the schemes imposed by government. Nevertheless, although reduced, this level of liability still has a significant impact on the Council's net worth as recorded in the Balance Sheet. It should also be noted that the assets of the Pension Fund are subject to the volatility of the investment markets.

Statutory requirements relating to the Pension Funds mean that the Council is not required to meet liabilities immediately and any deficit will be made good by increased contributions over the remaining working life of employees. Therefore the financial position of the Council remains healthy.

Further details on the basis on which the Council accounts for retirement benefits are provided in the notes to the Core Statements.

BORROWING

At 31 March 2011 the Council's level of borrowing was £93.4m and represented an unchanged position from the previous year. This should be contrasted with the underlying need for borrowing as at 31 March 2011, which was £151.3m. The variance reflects previous strategy decisions to use available resources to negate the need to incur additional borrowing. Indeed during 2010-11 no borrowing was undertaken while the financing of the capital spend highlighted above shows an implied borrowing requirement of £13.2m.

The Council undertakes borrowing in order to finance capital spending and satisfies its borrowing requirement for this purpose by securing external loans. However, the Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing.

Historically, the majority of all approved borrowing has been secured via the Public Works Loan Board (PWLB). The PWLB offers borrowing at rates only slightly above rates at which the Government secures its borrowing and as such has traditionally been considered to be the most cost effective source of obtaining "traditional" funding. At 31 March 2011 the level of PWLB debt was £70.4m. The remaining £23.0m was market debt held in the form of Lender Option Borrower Option (LOBO) loans where there are certain options on the part of both the borrower (St. Helens Council) and the lender at specified points in the loans' existence.

FUTURE OUTLOOK

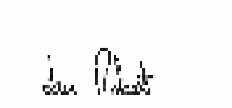
The Council is facing a series of challenges in the future the most significant of which will undoubtedly be the cuts in grant funding announced in the 2011-2012 Settlement and implied in the Government's 2012-15 Comprehensive Spending Review. The budget for 2011-2012 has been set in the context of a council tax freeze and after the delivery of over £28m of savings. In addition the Medium Term Financial Plan highlights the need to save a minimum of £32m over the subsequent three years.

Work is ongoing to deliver these savings and a series of zero based reviews of Portfolio budgets is to be undertaken to establish areas of further efficiency, priority services and improvements in value for money. In addition, although capital grants have also been severely reduced the Council remains committed to continuing investment in its asset base and is proposing to spend £92.8m over the next three years including £43m on the Building Schools for the Future Programme.

CONCLUSION

The Council continues to be successful in managing its finances and has maintained a sound financial base from which it can meet increasing demands and for the Council's future development.

I would like to thank all Members and Officers who have made 2010-2011 a success and would particularly like to thank colleagues in the Finance function for their hard work and commitment in completing this Statement of Accounts and all the supporting information.



IAN ROBERTS
Assistant Chief Executive (Finance)

APPROVAL OF ACCOUNTS

TO BE INSERTED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. HELENS COUNCIL

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STATEMENT OF MAIN PRINCIPLES, ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL

The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code)* and guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which give a 'true and fair view' of the financial position and transactions of a Local Authority and is based on the following hierarchy of standards:-

(1) International Financial Reporting Standards (IFRS's) as adopted by the European Union;

(2) International Public Sector Accounting Standards (IPSAS's);

(3) UK Generally Accepted Accounting Practice (GAAP).

The Code sets out the proper accounting practices required by legislation. In the unusual event that other statutory provisions require departures from the Code, then those statutory provisions shall be followed. Regard will still need to be given, however, to the need for the Statement of Accounts to give a 'true and fair view' of the financial position and transactions of the Authority, which may mean the inclusion of additional information in accordance with the provisions of the Code.

In accordance with the Code, the Authority has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users to understand those adopted policies and how they have been implemented.

In doing so, the Authority intends that the policies adopted are those most appropriate to its particular circumstances for the purpose of presenting a true and fair view of the financial position and transactions of the Authority. Policies are reviewed regularly to ensure they remain appropriate, and are changed when a new policy becomes more appropriate to the Authority's circumstances - a full disclosure of any such changes will always be provided.

The concepts that the Authority has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- the qualitative characteristics of financial information
  - relevance
  - reliability
  - comparability
  - understandability
  - materiality
- pervasive accounting concepts
  - accruals
  - going concern
  - primacy of legislative requirements

Accounting policies can be defined as the specific principles, bases, conventions, rules and practices applied, by an entity preparing and presenting Financial Statements.

The Authority selects its accounting policies and accounts for changes in the accounting policies in accordance with IAS 8 *Accounting Policies Changes in Accounting Estimates and Errors*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The following accounting policies and estimation techniques are consistent with the accounting concepts and, where appropriate, the relevant accounting standards.

ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- supplies are recorded as expenditure when they are consumed - where this is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made;
- interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The one exception which merits comment occurs where no apportionment of wages' costs is made at 31 March where that date does not coincide with the end of the 'wages week'.

AREA BASED GRANT

From 2008-2009, the previously administered Local Area Agreement (LAA) Grant was replaced by Area Based Grant (ABG).

ABG is a non-ring fenced general grant, with no conditions on use imposed as part of the grant determination, ensuring full local control over how funding is used. Unlike LAA grant, its use is not mandatorily restricted to supporting the achievement of LAA targets. Being a general grant, ABG is included in the Comprehensive Income and Expenditure Statement within Taxation and Non-Specific Grant Income.

ASSETS HELD FOR SALE – See Property, Plant and Equipment

CAPITAL RECEIPTS

Capital receipts from non-current asset disposals are recorded on an accruals basis and are initially credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, with a subsequent appropriation to the Usable Capital Receipts Reserve made via the Movement in Reserves Statement.

During 2005-2006 the Secretary of State determined that under provisions included in the Local Government Act 2003, the Authority was required to pay over to him specified amounts of any capital receipt derived from the disposal of housing land after 1 April 2004. Such receipts principally relate to the repayment of Housing Revenue Account (HRA) mortgage principal.

Usable Capital Receipts are classed as a Usable Reserve in the Balance Sheet and can be used either to finance new capital investment, to repay grant received in relation to the assets disposed of, to finance the premium sums arising from the rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are represented by:

(i) cash-in-hand, net of the value of overdrafts;
(ii) unpresented cheques or other unpresented methods of payment;
(iii) investments repayable on demand without penalty or change in value.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:-

(i) depreciation attributable to the assets used by the relevant service;

(ii) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve (specific to the individual asset) against which they can be written off;

(iii) amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover these items. However, it is required to make an annual provision from revenue towards the reduction in its overall borrowing requirement (see “Redemption of Debt”). The items detailed above are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account. Those charges that relate to non-operational assets are charged to Non-Distributed Costs within the Comprehensive Income and Expenditure Statement.

CONTINGENT LIABILITIES

Contingent liabilities are not accrued in the accounting statements. They are disclosed by way of notes if there is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority; or

(ii) a present obligation that arises from past events, but where it is not certain that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

DEPRECIATION – See Property, Plant and Equipment

EMPLOYEE BENEFITS

(i) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, and paid annual leave for employees, and in accordance with IAS 19 *Employee Benefits* and the provisions of the Code, are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of accumulating compensated absences earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but reversed out through the Movement in Reserves Statement to the Accumulated Absences Account.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination.

FINANCIAL ASSETS

All investments are initially recognised on the basis of fair value, with subsequent measurement dependant on the classification of the individual financial instrument concerned.

The provisions included within the Code are derived from:

- *IAS 39 – Financial Instruments: Recognition and Measurement*
- *IAS 32 – Financial Instruments: Presentation*
- *IFRS 7 – Financial Instruments: Disclosure*

and dictate the precise classification and accounting policies used in keeping with those requirements.

Investments used by the Council are of the type whereby they are classed as 'Loans and Receivables' and accounted for using the Amortised Cost basis. In doing so, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based

on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. This results in the interest credited to the Comprehensive Income and Expenditure Statement being the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to other parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is thereafter credited at a higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that there should be no impact on the Council Tax payer arising from these accounting transactions, and a transfer to or from the Financial Instruments Adjustment Account (via the Movement in Reserves Statement) achieves this requirement.

CIPFA's *Local Authority Accounting Panel (LAAP) Bulletin 84* includes guidance that stipulates interest accrued on financial assets at the Balance Sheet date should be associated with, and, increase the carrying value of the investment until such time as the interest is received.

FINANCIAL LIABILITIES

The provisions within the Code are derived from the same Accounting Standards as detailed in the policy on Financial Assets.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure part of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (adjusted for accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any gains or losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

CIPFA's *Local Authority Accounting Panel (LAAP) Bulletin 84* includes guidance that stipulates interest accrued on financial liabilities at the Balance Sheet date should be associated with, and, increase the carrying value of the loan until such time as the interest is paid.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired, using the grant or contribution, are required to be consumed by the recipient as specified.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (for revenue grants and contributions) or as Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions and for capital grants used to fund items of Revenue Expenditure Financed by Capital under Statute) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants excluding those used to fund Revenue Expenditure Financed by Capital under Statute) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

GROUP ACCOUNTS

The Statements have been prepared with due regard to the group accounting requirements contained in the Code, which require all Local Authorities to consider all their interests and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. In the event, consideration of all the Council's interests have determined that such Group Financial Statements are <u>not</u> required for 2010-2011 - such determination having been made after analysing the full scope of CIPFA's guidance on the preparation of Group Accounts and the detailed arrangements in operation between the Council and its various 'partners'. Analysis of the Council's activity has deemed that no additional group accounting statements are required arising from the Code's requirements.

INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences), capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured at cost and the balance is amortised to the relevant service line in the Comprehensive Income and Expenditure Statement over the economic life of the investment, to reflect the pattern of consumption of benefits. These amortisation charges are not permitted to have an impact on the General Fund Balance and are reversed to the Capital Adjustment Account via the Movement in Reserves Statement.

INTERNAL INTEREST

Interest earned is recorded initially in the Comprehensive Income and Expenditure Statement (see Policy on Financial Assets). Subsequent allocations are made to certain other individual funds, based on individual cash flows and an average rate of interest.

INVENTORIES

Inventories are included in the Balance Sheet at the lower of actual cost or net realisable value. The cost of inventories is assigned using an average costing formula.

INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment properties are measured, initially, at cost and, subsequently, at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

LEASES

Under the requirements of IAS 17 *Leases*, the Council is required to consider/review all its lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should are classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

Authority as Lessee – operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service(s) benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even where this does not match the pattern of payments.

Authority as Lessor – operating leases

Where the Authority grants an operating lease over an item of property, plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Non-Operational Assets and Assets Held for Sale

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Cost of Services.

PENSIONS

The Council participates in two different pension plans:-

(i) Teachers

This is an un-funded plan administered on behalf of the Department for Education (DfE).

(ii) Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme (LGPS), administered by Wirral MBC (Merseyside Pension Fund).

Both schemes provide members with defined benefits related to pay and service.

In accordance with IAS 19 *Employee Benefits* and IPSAS 25 *Employee Benefits,* separate policies are in place for those Plans accounted for on a defined benefit basis and those accounted for on a defined contribution basis.

Defined Benefit Plans

Accounting policies set out as below shall apply in respect of pension costs arising from the Local Government Pension Scheme and, in addition, in respect of un-funded discretionary benefits paid (irrespective of the scheme to which it relates):

(i) the attributable assets of each Plan are measured at the balance sheet date based on actual performance of the Pension Fund for the year. Any liabilities such as accrued expenses are deducted. The attributable Plan liabilities are measured on an actuarial basis using the Projected Unit credit actuarial cost method. The Plan liabilities comprise:

(a) any benefits promised under the formal terms of the Plan; and

(b) any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation in the employees that such benefits will be granted

(ii) the surplus/deficit in a Plan is the excess/shortfall of the value of the assets in the Plan over/below the present value of the Plan's defined benefit obligations. The Council would recognise an asset to the extent that it would be able to recover a surplus either through reduced contributions in the future or through refunds from the Plan. The Council recognises a defined benefit obligation to the extent that it reflects its legal or constructive obligation;

(iii) any unpaid contributions to the Plan are presented in the balance sheet as a current liability creditor;

(iv) the change in the defined benefit asset or obligation (other than that arising from contributions to the Plan) is analysed, where appropriate, into the following components:

(a) periodic costs:-

(1) current service cost;

(2) interest cost;

(3) expected return on plan assets; and

(4) actuarial gains and losses;

(b) non-periodic costs:-

(1) past service costs; and

(2) gains and losses on settlements and curtailments

(v) the current service cost is included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Both the interest cost and the expected return on assets are included within Financing and Investment Income and Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date, are recognised as other Comprehensive Income and Expenditure;

(vi) past service costs are recognised in the Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;

(vii) losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Authority becomes demonstrably committed to the transaction, and recognised in the Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction, and recognised in the Cost of Services at that date.

The approach to calculating the IAS 19 figures in between full actuarial valuations is approximate in nature and at each full valuation the position is re-assessed, with the assets and liabilities attributable to each employer being fully re-calculated. Following each full valuation it can therefore be necessary to adjust previously disclosed figures – the net effect is shown as "Liability Gain/(Loss)" as appropriate.

Changes in actuarial assumptions will be made dependant on prevailing conditions at the time of the calculation or on the basis of experience realised. The assumptions used between periods are fully disclosed.

Defined Contribution Plans

Whilst meeting the definition of a defined benefit pension plan, guidance requires that the Teachers' Pension Scheme, as administered by Teachers' Pensions on behalf of the DfE, needs to be accounted for as if it were a defined contribution plan since the Authority is unable to identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis.

As a result, the pensions cost reported for a year is equal to the contributions payable to the Plan for the accounting period. The cost is recognised within the Children's and Education Services line in the Cost of Services. An asset or liability is recognised only to the extent that there are prepaid or outstanding contributions at the Balance Sheet date.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Historically, the Authority exercised these powers. Any liabilities estimated to arise as a result of such awards to any member of staff (including teachers) are accrued in the year of the decision to make the award and actuarially reviewed each year, with accounting following the same policies as are applied to the Local Government Pension Scheme.

PENSIONS RESERVE

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension plans in which the Authority participates. However, accounting for employees' pensions is in accordance with prevailing accounting standards, subject to any interpretations set out in the Code.

Where the payments made for the year in accordance with the Plan requirements do not match the Authority's recognised operating and finance costs for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. An appropriation to or from the pensions reserve, which equals the net difference is recognised through the Movement in Reserves Statement.

Actuarial gains and losses during the year, which impact on the net surplus or deficit of the Fund, will also be subject to a corresponding appropriation to/from the Pensions Reserve.

PROPERTY, PLANT AND EQUIPMENT

Recognition

Assets that have a physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

In line with the requirements of IAS16 *Property Plant and Equipment*, the Council recognises and accounts separately for any components where the value of the asset is of sufficient materiality and the component costs are significant in relation to the total cost of the asset.

Measurement

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but that does not add to an asset's potential to deliver future economic benefits (repair and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, which includes:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred while the asset is under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition would be the carrying amount of asset given up by the Council.

In accordance with IAS16, assets are then carried in the Balance Sheet using the following measurement bases:-

- infrastructure, community assets and assets under construction – depreciated historical cost; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end. Revaluations are carried out as part of a rolling programme by a qualified internal

Valuer, in accordance with guidance issued by the Royal Institute of Chartered Surveyors (R.I.C.S.). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the appropriate accounting treatment is dependent on whether the asset has been previously re-valued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The requirements of IAS16 place an emphasis on accounting for assets based on their component parts. IAS 16 sets out the criteria for recognising, valuing and depreciating non-current assets as:

“Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be disclosed separately.”

The purpose of component accounting is to produce accurate primary statements with the cost of the use of an asset correctly reflected in the Comprehensive Income and Expenditure Statement by carrying the correct depreciation associated with non-current assets and the correct values of assets as presented in the Balance Sheet.

Component accounting is required to be applied prospectively from 2010-2011 and has been applied where:

- the underlying asset has a carrying value of at least £2m;
- has either been acquired, undergone material enhancement works or been re-valued; and
- the cost of the component equates to at least 20% of the overall asset value.

The Council has adopted a policy in which assets are split into five component parts. The assets are split using standard percentages of the building. Each of the component categories have standard average lives which are used for the purpose of calculating the depreciation charge.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified the appropriate accounting treatment is dependent upon whether the asset has been previously re-valued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any subsequent reversal of impairment loss is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite life (for example freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by allocating the asset value over the period expected to benefit from their use on a straight-line basis.

Where an item of Property, Plant and Equipment has been assessed as being subject to the requirements of component accounting, each of the component parts will be depreciated separately over their estimated residual lives.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written

off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gains or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal of a non-current asset are categorised as capital receipts and credited to the Capital Receipts Reserve and then can be set aside either for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

PROVISIONS

The Council sets aside provisions for any liabilities of uncertain timing or amount that have been incurred in accordance with the requirements of the Code and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are disclosed as separate balance sheet items, whilst provisions for bad and doubtful debts are netted off the carrying amount of debtors.

Provisions are recognised when:

(i) the Authority has a present obligation as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where payments for expenditure are incurred to which the provision relates, they are charged direct to the provision carried in the Balance Sheet.

Provisions are reviewed at each Balance Sheet date to reflect the current best estimate, taking into account the risks and uncertainties surrounding the events. Where it is subsequently assessed that it becomes less than probable that a transfer of economic benefits will now be required (or a lower provision is required), the provision is reversed and credited back to the relevant service.

REDEMPTION OF DEBT

Capital expenditure is significantly financed by borrowing. Provision for the redemption of debt is made in accordance with the requirements contained in the *Capital Finance and Accounting Regulations 2008*. The minimum amount required to be repaid each year is

calculated as a proportion of the Council's Capital Financing Requirement, which under Statute equated to 4% during 2010-2011.

However, the provisions of the Regulations allow the Council to make additional redemption provision and this option has been exercised during the year. The Council has approved a policy of making additional provision to cover the sum of any borrowing incurred under prudential arrangements (i.e. unsupported by Government funding) over the estimated life of the asset to which that borrowing relates, as opposed to the minimum 4% per annum.

RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

The purpose and usage of each reserve is disclosed in notes accompanying the Core Statements.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

These items are generally grants and expenditure on assets not owned by the Authority.

VALUE ADDED TAX

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

CHANGES IN ACCOUNTING POLICY/TREATMENT

A number of changes in accounting treatment have arisen in recent years to reflect the Authority's obligations to keep the accounts in accordance with 'proper practices'. This is defined, for the purpose of Local Government legislation, as meaning compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom*.

The continuous review and annual update of the Code of Practice have introduced a number of revised or additional requirements for the Council's Financial Statements in those years.

This year has seen the first International Financial Reporting Standards (IFRS)-based Code and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The move to an IFRS-based Code from a UK GAAP-based SORP, results in a number of significant changes in accounting practice, which include:-

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation

- The main financial statements have changed, and there are additional requirements regarding segmental reporting

- There is a greater emphasis on component accounting, and a greater emphasis on de-recognising parts of an asset that are replaced

- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit on Provision of Services, rather than through the Revaluation Reserve

- Impairment losses will be taken initially to the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset

- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification

- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay

Within this Statement, the Council has also changed the way that it accounts for investments managed on behalf of Merseyside Waste Disposal Authority (MWDA). Previous Statements have not recognised cash managed or the liability in existence through this arrangement. Further detail is provided in Note 1(j).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

(i) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Chief Executive (Finance);

(ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

(iii) to approve the Statement of Accounts.

RESPONSIBILITIES OF THE ASSISTANT CHIEF EXECUTIVE (FINANCE)

The Assistant Chief Executive (Finance) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this statement of accounts, the Assistant Chief Executive (Finance) has:

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent;

(iii) complied with the Code of Practice.

The Assistant Chief Executive (Finance) has also:

(i) kept proper accounting records which were up-to-date;

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that this Statement of Accounts gives a true and fair view of the financial position of St. Helens Council at 31 March 2011 and its income and expenditure for the year then ended. In doing so I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Ian Roberts
Assistant Chief Executive (Finance) Date:

ANNUAL GOVERNANCE STATEMENT

2010-2011

TO BE INSERTED

ANNUAL GOVERNANCE STATEMENT

2010-2011

TO BE INSERTED

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2010-2011

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ANNUAL GOVERNANCE STATEMENT

2010-2011

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MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note		General Fund Balance	Earmarked General Fund Reserves	Schools Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
	Note		7	7	8	9		6	
	Balance at 31 March 2009	11,669	22,827	6,604	57,261	2,424	100,785	65,942	166,727

Movement in Reserves during 2009-2010

CIES	Surplus or (Deficit) on the Provision of Services	14,939	-	-	-	-	14,939	-	14,939
CIES	Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(55,216)	(55,216)
CIES	**Total Comprehensive Income and Expenditure**	14,939	-	-	-	-	14,939	(55,216)	(40,277)
5	Adjustments between accounting basis and funding basis under Regulations	(4,355)	-	-	(199)	1,912	(2,642)	2,642	-
	Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,584	-	-	(199)	1,912	12,297	(52,574)	(40,277)
7	Transfers to/from Earmarked Reserves	(3,236)	2,807	429	-	-	-	-	-
	Increase/(Decrease) in 2009-2010	7,348	2,807	429	(199)	1,912	12,297	(52,574)	(40,277)
	Balance at 31 March 2010 carried forward	19,017	25,634	7,033	57,062	4,336	113,082	13,368	126,450

Movement in Reserves during 2010-2011

CIES	Surplus or (Deficit) on the Provision of Services	47,990	-	-	-	-	47,990	-	47,990
CIES	Other Comprehensive Income and Expenditure	-	-	-	-	-	-	32,461	32,461
CIES	**Total Comprehensive Income and Expenditure**	47,990	-	-	-	-	47,990	32,461	80,451
5	Adjustments between accounting basis and funding basis under Regulations	(37,590)	-	-	(7,625)	(945)	(46,160)	46,160	-
	Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,400	-	-	(7,625)	(945)	1,830	78,621	80,451
7	Transfers to/from Earmarked Reserves	(15,542)	15,690	(148)	-	-	-	-	-
	Increase/(Decrease) in 2010-2011	(5,142)	15,690	(148)	(7,625)	(945)	1,830	78,621	80,451
	Balance at 31 March 2011 carried forward	13,875	41,324	6,885	49,437	3,391	114,912	91,989	206,901

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2009-2010				2010-2011		
Note	Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000		£000	£000	£000
12,13	21,176	(18,632)	2,544	Central Services to the Public	21,873	(18,943)	2,930
10,13	47,676	(15,644)	32,032	Cultural, Environmental, Regulatory and Planning Services	48,262	(15,078)	33,184
11,13	204,108	(159,468)	44,640	Children's and Education Services	200,164	(159,345)	40,819
13	67,032	(21,453)	45,579	Adult Social Care	73,363	(23,573)	49,790
13	13,903	(2,326)	11,577	Highways and Transport Services	13,901	(2,830)	11,071
13	77,228	(76,488)	740	Housing Services	79,303	(69,424)	9,879
12,13	3,356	(17)	3,339	Corporate and Democratic Core	3,356	(283)	3,073
12,13	1,376	0	1,376	Non-Distributed Costs	(33,175)	0	(33,175)
17,18	435,855	(294,028)	141,827	**COST OF SERVICES**	407,047	(289,476)	117,571
14			30,988	Other Operating Expenditure			24,997
15			13,412	Financing and Investment Income and Expenditure			13,533
16			(201,166)	Taxation and Non-Specific Grant Income			(204,091)
17			(14,939)	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**			(47,990)
			(13,872)	(Surplus) or Deficit on Revaluation of Non-current Assets			95
13			69,088	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(32,556)
			55,216	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			(32,461)
			40,277	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			(80,451)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'.

Note	1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
28,33	340,156	363,842	Property, Plant and Equipment	386,829
29	31,321	31,685	Investment Property	29,104
30	592	622	Intangible Assets	427
31	51,789	66,415	Long Term Investments	36,498
32	2,998	3,603	Long Term Debtors	4,342
	426,856	466,167	**Long Term Assets**	457,200
31	56,800	52,344	Short Term Investments	95,619
34	6,535	4,986	Assets held for Sale	6,301
45,46,47	(410)	5,954	Cash and Cash Equivalents	9,361
35	269	238	Inventories	216
36	25,245	27,301	Short Term Debtors	23,364
	88,439	90,823	**Current Assets**	134,861
37	(13,179)	(1,176)	Short Term Borrowing	(21,169)
38	(44,626)	(45,558)	Short Term Creditors	(39,818)
	(57,805)	(46,734)	**Current Liabilities**	(60,987)
39	(5,818)	(6,118)	Provisions	(4,949)
37	(93,386)	(93,382)	Long Term Borrowing	(73,378)
13	(166,927)	(241,037)	Pensions Liability	(178,466)
40	(18,126)	(31,952)	Other Long Term Liabilities	(44,566)
41	(6,506)	(11,317)	Capital Grants Receipts in Advance	(22,814)
	(290,763)	(383,806)	**Long Term Liabilities**	(324,173)
	166,727	126,450	**Net Assets**	206,901

			Financed by:	
MIRS	100,785	113,081	Usable Reserves	114,912
6	65,942	13,369	Unusable Reserves	91,989
	166,727	126,450	**Total Reserves**	206,901

In preparing this Statement, events up to 30 June 2011 have been considered. This is the date on which the Assistant Chief Executive (Finance) authorised the Statement for issue.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

NOTES	2009-2010 £000		2010-2011 £000
	14,939	Net Surplus or (Deficit) on the Provision of Services	47,990
	(5,265)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(48,644)
	(4,011)	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(3,142)
45	5,663	Net Cash Flows from Operating Activities	(3,796)
46	17,141	Investing Activities	5,055
47	(16,440)	Financing Activities	2,148
	6,364	Net Increase or Decrease in Cash and Cash Equivalents	3,407
	(410)	Cash and Cash Equivalents at the Beginning of the Reporting Period	5,954
	5,954	**Cash and Cash Equivalents at the end of the Reporting Period**	9,361

NOTES TO THE 'CORE' FINANCIAL STATEMENTS

1. TRANSITION TO IFRS AND PRIOR PERIOD ADJUSTMENTS

The Statement of Accounts for 2010-2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-2010.

The following tables explain the material differences between the amounts presented in the 2009-2010 financial statements and the equivalent amounts presented in the 2010-2011 financial statements.

The note also incorporates a summary of considerations had in relation to two of the more detailed areas included within IFRS requirements, namely leasing and component accounting.

It also details the existence of a prior period adjustment incorporated in relation to investments managed on behalf of Merseyside Waste Disposal Authority (MWDA).

(a) Short-Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees received as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued Regulations that mean Local Authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulating Compensated Absences Adjustment Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-2010 financial statements:-

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Creditors	(3,365)
Accumulating Compensated Absences Adjustment Account	3,365

31 March 2010 Balance Sheet	Adjustments Made £000
Creditors	(3,585)
Accumulating Compensated Absences Adjustment Account	3,585

2009-2010 Comprehensive Income and Expenditure Statement Cost of Services	Adjustments Made £000
Central Services to the Public	(33)
Cultural, Environmental, Regulatory and Planning Services	(41)
Housing Services	(4)
Adult Social Care	1
Children's and Education Services	296
Non-Distributed Costs	1
TOTAL ADJUSTMENT	220

(b) Government Grants (Capital)

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- the balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Government Grants Deferred Account	85,472
Capital Adjustment Account	(85,472)

31 March 2010 Balance Sheet	Adjustments Made £000
Government Grants Deferred Account	108,586
Capital Adjustment Account	(108,586)

- portions of Government Grants Deferred were previously recognised as income in 2009-2010; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures:

2009-2010 Comprehensive Income and Expenditure Statement Cost of Services (Net)	Adjustments Made £000
Cultural, Environmental, Regulatory and Planning Services	527
Children's and Education Services	2,200
Highways and Transport Services	583
Housing Services	34
Adult Social Care	111
TOTAL ADJUSTMENT (MADE VIA CAPITAL ADJUSTMENT ACCOUNT)	3,455

- a small number of non-conditional capital grants have been received in previous years, but not used to fund capital expenditure. Previously, no income was recognised in respect of these grants and the amount was shown as Creditors within the Current Liabilities section of the Balance Sheet. Following the change in accounting policy, these grants are recognised in full in the Comprehensive Income and Expenditure Statement, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet. When used to finance capital expenditure, they are then transferred directly to the Capital Adjustment Account.

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Creditors	2,424
Capital Grants Unapplied	(2,424)

31 March 2010 Balance Sheet	Adjustments Made £000
Creditors	4,336
Capital Grants Unapplied	(4,336)

2009-2010 Comprehensive Income and Expenditure Statement Cost of Services (Net)	Adjustments Made £000
Housing Services	881
Adult Social Care	38
TOTAL ADJUSTMENT (MADE VIA CAPITAL ADJUSTMENT ACCOUNT)	919

- a small number of other, conditional capital grants have been received in previous years, but not used to fund capital expenditure. Previously, no income was recognised in respect of these grants and the amount was shown as Creditors within the Current Liabilities section of the Balance Sheet. Following the change in accounting policy, these are now shown separately within the Capital Grants Receipts in Advance section of the Balance Sheet:

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Creditors	6,506
Capital Grants Receipts in Advance	(6,506)

31 March 2010 Balance Sheet	Adjustments Made £000
Creditors	11,317
Capital Grants Receipts in Advance	(11,317)

(c) Government Grants (Revenue)

A small number of non-conditional revenue grants have been received in previous years, but not used to fund service expenditure. Previously, no income was recognised in respect of these grants and the amount was shown as Creditors within the Current Liabilities section of the Balance Sheet. These grants have been now been recognised in full in the Comprehensive Income and Expenditure Statement and result in increases to the General Fund Balance as shown in the Movement in Reserves Statement and Balance Sheet:

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Creditors	337
General Fund Balances	(337)

31 March 2010 Balance Sheet	Adjustments Made £000
Creditors	396
General Fund Balances	(396)

2009-2010 Comprehensive Income and Expenditure Statement Cost of Services (Net)	Adjustments Made £000
Central Services to the Public	(16)
Cultural, Environmental, Regulatory and Planning Services	(98)
Housing Services	54
TOTAL ADJUSTMENT	(60)

(d) Cash and Cash Equivalents

Under the Code, investments repayable on demand without penalty or change in value are included in the Balance Sheet as 'Cash and Cash Equivalents'. Previously they were included as short-term investments:

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Cash and Cash Equivalents	(8,160)
Short-Term Investments	8,160

31 March 2010 Balance Sheet	Adjustments Made £000
Cash and Cash Equivalents	(16,146)
Short-Term Investments	16,146

(e) Levies

Levies are now included in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement, whereas previously they were included in the respective service lines within Net Cost of Services:

2009-2010 Comprehensive Income and Expenditure Statement	Adjustments Made £000
Cultural, Environmental, Regulatory and Planning Services	(9,097)
Highways and Transport Services	(15,043)
Other Operating Expenditure	24,140

(f) Non-Current Assets

Previously, there was no requirement for the separate categories of Investment Property and Assets Held for Sale valuations to be included on the Balance Sheet. The Code also prescribes different valuation bases to those that have been applied in the preparation of previous Statement of Accounts. To that end, a fundamental review of all non-current assets has been undertaken. Part of the outcome of this review has identified that in addition to reclassification matters, there are changes to the value of non-current assets as disclosed previously. The effects on the Statement are as detailed below:

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Property, Plant and Equipment	(40,013)
Assets Held for Sale	6,535
Investment Properties	31,321
Revaluation Reserve	419
Capital Adjustment Account	1,738

31 March 2010 Balance Sheet	Adjustments Made £000
Property, Plant and Equipment	(39,787)
Assets Held for Sale	4,986
Investment Properties	31,685
Revaluation Reserve	582
Capital Adjustment Account	2,534

2009-2010 Comprehensive Income and Expenditure Statement Cost of Services (Net)	Adjustments Made £000
Adult Social Care	(4)

(g) Investment Properties/Assets Held for Sale

Previously, the movement in value for these assets was accounted for in the same way as for all other non-current (fixed) assets, including the use of the Revaluation Reserve, where appropriate. Under the Code, movements in fair values are now made in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding adjustment to the Capital Adjustment Account made through the Movement in Reserves Statement.

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Revaluation Reserve	112
Capital Adjustment Account	(112)

31 March 2010 Balance Sheet	Adjustments Made £000
Revaluation Reserve	755
Capital Adjustment Account	(755)

2009-2010 Comprehensive Income and Expenditure Statement	Adjustments Made £000
Non-Distributed Costs	(324)
Finance and Investment Income and Expenditure	364
TOTAL ADJUSTMENT	40

Additionally, Income and Expenditure in relation to Investment Properties is now included in the same line, whereas previously it was included within the cost of Cultural, Environmental, Regulatory and Planning Services. The effects on the Statement are as detailed below (see also Note 29):

2009-2010 Comprehensive Income and Expenditure Statement	Adjustments Made £000
Cultural, Environmental, Regulatory and Planning Services	2,213
Financing and Investment Income and Expenditure	(2,213)

(h) Leasing

In accordance with the adopted accounting policy all material leases (where the Council is either lessee or lessor) have been assessed against the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether any leases should be re-classified as finance leases. The Council has approximately 1,100 leases, the majority of which are for arrangements where the Council is lessor. Due to the sheer number of lease agreements, it has not been possible to assess all individual agreements. The Council has in excess of 400 property leases, which it leases either at a peppercorn or for a nominal consideration. Due to the significant number of leases with very low financial consideration and negligible effect of the accounts, a detailed assessment of these leases has not been carried out. To ensure that all material leases were considered in the assessment, all leases with an annual rental income of £5K per annum or more were reviewed.

The outcome of the review of material lease agreements is that seven leases have been identified as possible finance leases, two of which related to properties where the Council is/was the lessor, and five related to property and plant where the Council is/was the lessee. For each of these leases, the relevant accounting treatment and the entries that would be required to restate the accounts was identified to assist in making an assessment of the likely impact on the accounting statements.

Based on a review of the amendments that would be required to be made to the accounting statements, it has been determined that no adjustments need be made to the accounting statements to re-state these leases. This treatment is considered appropriate on the basis that categorising the leases as operating leases would not materially misstate either the Balance Sheet or the Comprehensive Income and Expenditure Statement.

(i) Component Accounting

In accordance with the adopted accounting policy, for 2010-2011 only two assets met the criteria for component accounting and the split of the assets is shown below:

	Component Asset Life (yrs)	Wesley House £000	Queens Park Leisure Centre £000
Structure	60	1,655	2,808
Roof	30	158	269
Fixtures and Fittings	15	115	195
Services	20	734	1,245
External Works	25	216	366
Total		**2,878**	**4,883**

(j) Merseyside Waste Disposal Authority Deferred Liability

The Council has a Service Level Agreement (SLA) with Merseyside Waste Disposal Authority (MWDA), which governs the provision of Treasury Management services by the Council on behalf of MWDA. As part of this agreement, the Council invests both its own and MWDA's surplus funds, and the revised figures for investments and for cash and cash equivalents shown on the face of the Balance Sheet now represent the composite position.

To reflect the fact that, in essence, the Council could be required to yield up to MWDA a proportion of its investments equal to the cash it has provided to the Council to invest on its behalf, a deferred liability has been recognised in the Balance Sheet:

Opening 1 April 2009 Balance Sheet	Adjustments Made £000
Cash and Cash Equivalents	12,747
Deferred Liability	(12,747)

31 March 2010 Balance Sheet	Adjustments Made £000
Cash and Cash Equivalents	26,976
Deferred Liability	(26,976)

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

Heritage Assets

As a consequence of the adoption of *Financial Reporting Standard 30 (Heritage Assets)*, the Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which needs to be adopted fully in the 2011-2012 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements, as a result of the adoption by the Code of an accounting standard that has been issued but is not yet required to be adopted by the Authority, in this case heritage assets. As is set out above, full adoption of the standard will be required in 2011-2012 financial statements, however the Authority is required to make disclosures of the estimated effect of the new standard on these financial statements (2010-2011). The new standard will require that a new class of assets - heritage assets are disclosed separately on the face of the Authority's Balance Sheet in the 2011-2012 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The heritage assets held by the Authority have been assessed to include:-

- The Saints Tribute statue;
- The Big Art Project: Dream;
- Victoria Square monument;
- Billinge Beacon;
- The Cenotaph;
- Civic regalia; and
- The museum collection and paintings.

The Saints Tribute statue and the Big Art project are currently valued at historic cost. No depreciation has been charged against these assets as they have been deemed to have indefinite asset lives. The Victoria Square monument, Billinge Beacon and Cenotaph are currently held on the asset register with nominal values of £1 each. All these assets are currently recognised on the Council's Balance Sheet as community assets within Property, Plant and Equipment.

The civic regalia is currently not recognised in the financial statements as no information is available on the cost of these assets. However, detailed inventory records are held of all items categorised as civic regalia by Member Services, including insurance valuation information. The Council also has three war memorials across the borough which are currently not recognised in the financial statements. Due to the historic nature of these assets, no information on the cost of these assets is available.

The Council's museum collection and paintings includes a collection of artefacts, paintings and sculptures held across the Borough which have been donated or acquired by the Council and its predecessor Authorities. The collection is currently not recognised in the financial statements as no information is available on the cost of these assets.

The Code will require that heritage assets are measured at valuation in the 2011-2012 financial statements (including the 2010-2011 comparative information). The 2011-2012 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise its civic regalia and a number of items from within the arts collection on the Balance Sheet using, as its base, the detailed insurance valuations held by the Council. The Authority is unlikely to recognise the majority of its museum collection in future financial statements as, it is of the view that, obtaining valuations for the majority of the collection would involve a disproportionate cost of obtaining the information in comparison to the benefits to the user of the Council's financial statements – this exemption is permitted by the 2011-2012 Code.

The carrying value of the heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at April 2010 is £1.605m, of which £1.528m relates to the Big Arts Project: Dream. The Council is currently unable to obtain valuations for its Cenotaph, war memorials, the Victoria statue and Billinge Beacon as, due to the historic nature of these assets, no information on cost or insurance valuations are held by the Council.

The Council estimates that, based on its insurance records, the value of its civic regalia is £0.991M. The insurance records are based on valuations provided by Outhwaite and Litherland. The Council estimates that the value of the paintings within its collection is

approximately £0.8m. Its sculptures were valued by Bonhams for insurance purposes at £0.118m.

It is estimated that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011-2012 Code) will be £1.909m.

No depreciation is charged on the heritage assets that are currently classified as community assets because these assets have been deemed to have indefinite lives and therefore any depreciation charges would be negligible and could be ignored on the grounds of materiality. The Council considers that its heritage assets will continue to have indefinite lives and therefore does not consider it appropriate to start charging depreciation on these assets. Consequentially there will be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

Community Assets

As a consequence of the adoption of FRS 30, the Code affords Authorities the option of extending the measurement and disclosure requirements to Community Assets. The Council is not minded to take up this option as it does not believe that there are any benefits in doing so.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are detailed below. Critical estimation uncertainties are described in Note 4.

Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Leases

In applying the classification of leases in *IAS 17 Leases*, the Council considers that with the exception of 7 arrangements, all of its material leases remain to be classified as operating leases. These leases were previously classified as operating leases under UK GAAP. Whilst 7 of the Council's lease arrangements would technically fall to be re-classified as finance leases, these have continued to be treated as operating leases within the accounts, as it is believed that this will not lead to a material mis-statement of the accounts.

The Council has in excess of 400 property leases, which it leases either at a peppercorn or for a nominal consideration. Due to the significant number of leases with very low financial consideration and negligible effect of the accounts, a detailed assessment of these leases has not been carried out.

In certain instances, the application of the *IAS 17 Leases* tests for the assessment of lease transactions is not conclusive and the Council has used its judgement in determining whether or not the lease is a finance or operating lease.

Investment Properties

Investment properties have been categorised as such, based on careful consideration of the criteria for recognition identified in *IAS 40*. As a result, the Council has determined that it holds assets with a value of £29m that it judges are held for capital appreciation or for the generation of investment income, or both.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet were there is a risk of material adjustment in the forthcoming financial year are as follows:

Arrears

At 31 March 2011, the Authority had a balance of debtors of £27.706m. A review of significant balances suggests that no impairment of doubtful debts was necessary. However, should there be a change in the current climate it is not certain that this position would be appropriate. If collection rates were to deteriorate an impairment of the doubtful debts may be required.

Pensions Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. During 2010-2011, the Council's actuaries advised that the net pensions liability had reduced by £62.571m as a result of the updating of the assumptions.

Provisions

Notwithstanding the fact that the Insurance provision is based on a consultancy opinion, which combines a scientific modelling process and expert advice, it may be that the prevailing economic, environmental or physical conditions give rise to more claims against the Authority than have been built into the assumption model. If this should occur, then increases to future provisions will be required.

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-2011	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	12,967	-	-	(12,967)
Revaluation losses on Property, Plant and Equipment	6,599	-	-	(6,599)
Movements in the market value of Investment Properties	2,415	-	-	(2,415)
Amortisation of Intangible Assets	195	-	-	(195)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(36,400)	-	-	36,400
Revenue expenditure funded from capital under Statute	15,114	-	-	(15,114)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	848	-	-	(848)
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Statutory provision for the repayment of debt	(6,590)	-	-	6,590
Capital expenditure charged against the General Fund balance	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,534)	-	1,534	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(2,479)	2,479
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(954)	689	-	265
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(8,665)	-	8,665
Amount of Deferred Capital Receipts and Long Term Debtors received	-	372	-	(372)
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	21	(21)	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	393	-	-	(393)

2010-2011	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Pensions Reserve:				
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(30,015)	-	-	30,015
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(454)	-	-	454
Adjustment involving the Accumulating Compensated Absence Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(195)	-	-	195
Total Adjustments 2010-2011	(37,590)	(7,625)	(945)	46,160

2009-2010 Comparative Figures	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	11,907	-	-	(11,907)
Revaluation losses on Property, Plant and Equipment	8,647	-	-	(8,647)
Movements in the market value of Investment Properties	(364)	-	-	364
Amortisation of Intangible Assets	199	-	-	(199)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(36,331)	-	-	36,331
Revenue expenditure funded from capital under Statute	10,389	-	-	(10,389)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,316	-	-	(8,316)
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Statutory provision for the repayment of debt	(6,383)	-	-	6,383
Capital expenditure charged against the General Fund balance	(1,015)	-	-	1,015
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,882)	-	2,882	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(970)	970
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,752)	1,435	-	317
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,097)	-	2,097
Amount of Deferred Capital Receipts and Long Term Debtors received	-	468	-	(468)
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	5	(5)	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	185	-	-	(185)

2009-2010 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Pensions Reserve:				
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	5,022	-	-	(5,022)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(518)	-	-	518
Adjustment involving the Accumulating Compensated Absence Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	220	-	-	(220)
Total Adjustments 2009-2010	(4,355)	(199)	1,912	2,642

6. UNUSABLE RESERVES

Movements in year 2009-2010 £000	31 March 2010 £000		Movements in year 2010-2011 £000	31 March 2011 £000
5,501	35,263	Revaluation Reserve (a)	(948)	34,315
16,041	224,502	Capital Adjustment Account (b)	16,813	241,315
(185)	(2,027)	Financial Instruments Adjustment Account (c)	(392)	(2,419)
(74,110)	(241,038)	Pensions Reserve (d)	62,571	(178,467)
517	(122)	Collection Fund Adjustment Account (e)	455	333
(118)	375	Deferred Capital Receipts (f)	(73)	302
(220)	(3,585)	Accumulating Compensated Absences Adjustment Account (g)	195	(3,390)
(52,574)	13,368	**TOTAL**	78,621	91,989

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009-2010			2010-2011	
£000	£000		£000	£000
	29,762	Balance brought forward at 1 April		35,263
7,886		Upward Revaluation of Assets	2,130	
(1,171)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/ Deficit on the Provision of Services	(1,765)	
	6,715	Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services		365
(780)		Difference between Fair Value Depreciation and Historical Cost Depreciation	(827)	
(434)		Accumulated Gains on Assets Sold or Scrapped	(486)	
	(1,214)	Amount written off to the Capital Adjustment Account		(1,313)
	35,263	Balance carried forward at 31 March		34,315

(b) <u>Capital Adjustment Account</u>

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009-2010 £000		2010-2011 £000
208,461	Balance brought forward at 1 April	224,502
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:-</u>	
(11,907)	• Charges for Depreciation and Impairment of Non-Current Assets	(12,967)
(8,647)	• Revaluation losses on Property, Plant and Equipment	(6,599)
(199)	• Amortisation of Intangible Assets	(195)
(10,389)	• Revenue expenditure funded from capital under Statute	(15,114)
(8,316)	• Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(848)
1,214	Adjustment amounts written out of the Revaluation Reserve – amortisation and asset disposals	1,312
	<u>Capital financing applied in the Year:-</u>	
2,097	Use of the Capital Receipts Reserve to finance new capital expenditure	8,665
27,458	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	22,947
8,873	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Finance Revenue expenditure financed by capital under statute	13,453
970	• Application of grants to capital financing from the Capital Grants Unapplied Account	2,479
6,383	• Statutory provision for the financing of capital investment charged against General Fund balances	6,590
1,015	• Capital expenditure charged against General Fund balances	0
364	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,415)
(33)	Long Term Debtors written off	(35)
6,698	Voluntary Controlled Schools recognised under FRS 5 during the year	0
460	Other non-current asset adjustments arising from re-recognition/de-recognition	(460)
224,502	Balance carried forward at 31 March	241,315

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. Similar principles apply to the credits relating to discounts earned on the early redemption of loans.

2009-2010			2010-2011	
£000	£000		£000	£000
		Premium on Early Debt Redemption		
(3,053)		Balance brought forward at 1 April	(2.760)	
0		Incurred in the Year and charged to the Comprehensive Income and Expenditure Statement	0	
293		Incurred in previous financial years to be charged to General Fund in accordance with Regulations	294	
	(2,760)			(2,466)
		Discounts on Early Debt Redemption		
2,401		Balance brought forward at 1 April	2,067	
0		Incurred in the Year and credited to the Comprehensive Income and Expenditure Statement	0	
(334)		Incurred in previous financial years to be credited to General Fund in accordance with Regulations	(333)	
	2,067			1,734
		Soft Loans		
(1,190)		Balance brought forward at 1 April	(1,334)	
(144)		Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the Year in accordance with Regulations	(353)	
	(1,334)			(1,687)
	(2,027)	Balance carried forward at 31 March		(2,419)

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a

substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-2010 £000		2010-2011 £000
(166,928)	Balance brought forward at 1 April	(241,038)
(69,088)	Actuarial gains or (losses) on pensions assets and liabilities	32,556
(23,306)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,685
18,284	Employer's pensions contributions and direct payments to pensioners payable in year	20,330
(241,038)	Balance carried forward at 31 March	(178,467)

(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009-2010 £000		2010-2011 £000
(639)	Balance brought forward at 1 April	(122)
517	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	455
(122)	Balance carried forward at 31 March	333

(f) Deferred Capital Receipts

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of ex-council houses.

31 March 2010 £000		31 March 2011 £000
317	Preserved Right to Buy Receipts	264
58	Sales of Council Houses – Principal Outstanding	38
375	TOTAL	302

(g) Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009-2010 £000		2010-2011 £000
(3,365)	Balance brought forward at 1 April	(3,585)
(220)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	195
(3,585)	Balance carried forward at 31 March	(3,390)

7. EARMARKED GENERAL FUND RESERVES AND SCHOOL BALANCES

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2010-2011.

Movements in Year 2009-2010 £000	Balance at 31 March 2010 £000		Movements in Year 2010-2011 £000	Balance at 31 March 2011 £000
417	3,882	Insurance Fund (a)	1,347	5,229
0	790	Commuted Sums (b)	0	790
(25)	32	I.T. Developments (c)	(32)	0
0	176	Capital Challenge (d)	(176)	0
3,000	3,000	Care Services Transitional Demand Fund (e)	0	3,000
0	120	Affordable Housing (f)	(120)	0
1,448	3,536	Service Development (g)	530	4,066
(604)	10,936	Service Modernisation (h)	14,365	25,301
(168)	731	Gershon Efficiencies (i)	(731)	0
254	1,470	4NW (j)	1,138	2,608
(1,516)	961	Building Schools for the Future (k)	(631)	330
2,807	25,634	Sub-Total	15,690	41,324
429	7,033	Schools Balances (l)	(148)	6,885
3,236	32,667	TOTAL	15,542	48,209

(a) The Insurance Fund Reserve has been established to be used to offset any exceptional uninsured losses that may occur in future periods.

(b) Sums received from property developers invested to generate returns sufficient to meet ongoing Council obligations arising from agreements with those developers (typically grounds maintenance on private housing developments).

(c) The I.T. Development Fund was designed to provide investment to support the e-Government agenda and essential ICT projects without which significant service deterioration would occur.

(d) The Capital Challenge Reserve was established to finance continuing capital infrastructure projects in and around the Town Centre.

(e) The Care Services Transitional Demand Fund was set up in 2009-2010 to be utilised in future years in order to mitigate the implications of short term demand fluctuations within the Care Services.

(f) The Affordable Housing Reserve contained receipts received from Developers earmarked for the provision of future Affordable Housing initiatives.

(g) The Service Development Fund is designed to provide short-term development capacity to support areas or initiatives by providing 'seed corn funding'.

(h) The Service Modernisation Fund is used to assist in any necessary rationalisation or reprofiling of services as part of the Council's ongoing modernisation agenda.

(i) The Gershon Efficiencies Fund supported projects and actions having a measurable impact on the provision of improved efficiency in services. The Service Modernisation Fund now serves this purpose.

(j) See Note 10 for further details relating to 4NW.

(k) This reserve was created to fund future liabilities arising from the Building Schools for the Future programme, which will rationalise the infrastructure providing Secondary Education in the Borough.

(l) Balances held by Governors under delegated scheme arrangements, whereby such balances are committed to be spent on the Education service.

8. CAPITAL RECEIPTS RESERVE

Usable capital receipts are generally available to finance capital investment or to repay borrowing in future years. The Reserve may be analysed:-

2009-2010		2010-2011
£000		£000
57,261	Balance brought forward at 1 April	57,062
	Amounts received in Year	
1,435	Asset Sales	689
420	Preserved Right to Buy Receipts	317
48	Repaid loans, grants and advances	55
(5)	Transferred to finance Housing Pooled Capital Receipts	(21)
(2,097)	Amounts applied to finance new capital investment in year	(8,665)
57,062	Balance carried forward at 31 March	49,437

9. UNAPPLIED CAPITAL GRANTS

These are capital grants that have not been used to finance capital expenditure, but which have no conditions attached to their usage.

31 March 2010 £000	**Capital Grants Unapplied**	31 March 2011 £000
	Department for Education	
900	Standards Fund (Modernisation & Extended Services)	310
	Department for Communities and Local Government	
1,663	Regional Housing	1,190
0	Disabled Facilities Grant	4
	Department of Health	
300	Social Care Single Capital Pot	345
	Department for Transport	
0	Transport Supplementary Grant	6
	Department for Environmental, Food and Rural Affairs	
333	Waste Infrastructure	399
	Other Grants	
1,127	Gypsy and Traveller Site	1,127
	Contributions	
3	Primary Care Trust	0
10	Other	10
4,336	TOTAL	3,391

10. 4NW

4NW (formerly North West Regional Assembly) is the Regional Leaders Forum for the North West of England, bringing together public, private and third sector stakeholders and providing a Forum to promote the sustainable development and regeneration of the region. 4NW has responsibility for regional housing, planning, transport and economic development. St. Helens holds the role of Accountable Body for 4NW and it is appropriate that the Statements fully recognise the financial implications of doing so.

All 4NW activity has been analysed as falling within 'Cultural, Environmental, Regulatory and Planning Services' in accordance with CIPFA's *Best Value Accounting Code of Practice* (BVACOP), and the full revenue transactions relating to 4NW, as included in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement:-

2009-2010 Net Expenditure £000		2010-2011 Gross Expenditure £000	2010-2011 Income £000	2010-2011 Net Expenditure £000
(326)	Cultural, Environmental, Regulatory and Planning Services	1,489	(2,631)	(1,142)
	COST OF SERVICES			
(106)	Charges made for Retirement Benefits in accordance with IAS19			(91)
178	Employer's Contributions to Scheme			94
254	Transfer to 4NW Reserve (Surplus for the Year)			1,139
NIL	**AMOUNT TO BE MET BY ST. HELENS LOCAL TAXPAYERS**			NIL

St. Helens does not subsidise other members of the body. The Balance Sheet position as at 31 March 2011 is as follows:-

31 March 2010 £000		31 March 2011 £000
400	Debtors	17
(1,585)	Creditors	(17)
2,655	Cash (overdrawn)/in hand	2,608
1,470	Reserve at 31 March	2,608

11. SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT

The Council's expenditure on Schools is funded by grant monies provided by the Department for Eduction (DfE) in the form of the Dedicated Schools Grant (DSG).

DSG is a ring-fenced grant that can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services, provided 'centrally', on an Authority-wide basis and also for the Individual Schools Budget, which is divided into a budget share for each School.

Schools Budget funded by Dedicated Schools Grant 2009-2010				Schools Budget funded by Dedicated Schools Grant 2010-2011		
Central Expenditure £000	Individual Schools Budget £000	Total £000		Central Expenditure £000	Individual Schools Budget £000	Total £000
3,555	0	3,555	Balance brought forward at 1 April	1,779	0	1,779
13,283	91,307	104,590	Receivable in Year	13,549	90,285	103,834
0	0	0	Carry forward to future years agreed in advance	0	0	0
16,838	91,307	108,145	Budgeted distribution for Year	15,328	90,285	105,613
15,059	91,307	106,366	Actual Expenditure in Year	12,716	90,285	103,001
1,779	0	1,779	Balance carried forward at 31 March	2,612	0	2,612

This specific grant is credited to the Children's and Education Service heading within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

12. CENTRAL SERVICES TO THE PUBLIC, CORPORATE AND DEMOCRATIC CORE AND NON-DISTRIBUTED COSTS

CIPFA's *Best Value Accounting Code of Practice* defines a requirement to disclose, as a minimum level of detail, the cost of Central Services on the face of the Comprehensive Income and Expenditure Statement. To assist user understanding, this total has been further broken down to sub-division level of service as detailed:-

2009-2010 Net Expenditure £000		2010-2011 Gross Expenditure £000	2010-2011 Income £000	2010-2011 Net Expenditure £000
3,339	Corporate & Democratic Core (a)	3,356	(283)	3,073
1,376	Non-Distributed Costs (b)	(33,175)	0	(33,175)
2,544	Central Services to the Public (c)	21,873	(18,943)	2,930
7,259	TOTAL	(7,946)	(19,226)	(27,172)

(a) Relates to those activities and costs which provide the infrastructure which allows services to be provided and includes costs relating to all aspects of Members' activities in that capacity.

(b) This item represents amounts incurred relating to:-

2009-2010 Net Expenditure £000		2010-2011 Net Expenditure £000
145	(Gains)/losses on actuarially assessed retirement benefits (past service, settlements and curtailments) – see Note 13	(34,174)
1,016	Revaluation Losses on Non-Operational Assets	904
177	Unused element of I.T. and office accommodation facilities	65
38	Other	30
1,376	TOTAL	(33,175)

(c) Other Divisions of Service including Local Tax Collection, Registrars, Elections, Emergency Planning, Local Land Charges and General Grants and Subscriptions.

13. PENSIONS

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits to those individuals and participates in two Pension Plans:-

(i) the Local Government Pension Scheme (LGPS) for staff employed under NJC terms and conditions - this is a defined benefit plan where the Authority and the employees pay contributions into a fund, calculated at a level intended to balance the pensions

liabilities investment assets. This plan is administered by the Merseyside Pension Fund (and Lancashire Pension Services for the minimal residual liabilities arising from pre-Local Government reorganisation);

(ii) the Teachers' Pension Scheme (TPS) for those employed under Teachers' terms and conditions, administered by Teachers' Pensions on behalf of the Department for Education. The TPS is a statutory scheme subject to the *Teachers' Pensions Regulations 1997 (as amended)*. It provides Teachers with defined benefits upon their retirement, and the Authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

(a) Transactions Accounted for Under Defined Contribution Plan Arrangements

The TPS is a defined benefit plan. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities. However, it is not possible for the Authority to identify a share of the underlying assets and liabilities in the scheme attributable to its own employees on a consistent and reasonable basis. The Code therefore requires that the contributions to the scheme should be accounted for as if it were a defined contribution plan and as such the pensions cost reported in the Cost of Services is equal to the employer's contribution payable to the Scheme in the accounting period (£7.64m resultant from an employer's contribution rate of 14.1%).

In 2009-2010 the employer's contribution rate was 14.1%, whilst the contributions totalled £7.77m. The 2010-2011 employer's contributions are lower due to the transfer of Sutton High Sports College to Academy status during the year.

Any surplus or deficit in this Plan may affect the amount of future contributions payable.

The Authority is, however, responsible for the costs of additional benefits awarded upon early retirement outside of the terms of the TPS. These benefits are accounted for under the rules relating to defined benefit schemes. No such awards were made during 2009-2010 or 2010-2011.

(b) Transactions Accounted for Under Defined Benefit Plan Arrangements

Although benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. In accordance with the detailed accounting requirements of IAS 19 and IPSAS 25 *Employee Benefits* and the Code, where the pension scheme meets the definition of a defined benefit pension plan, the cost of retirement benefits are ordinarily to be recognised in the Cost of Services when they are earned, rather than when the benefits are eventually paid as pensions.

However, the charge required to be made against Council Tax is based on cash payable in year, and the effect of this is reflected in the Movement in Reserves Statement.

(c) Transactions relating to Retirement Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year to comply with the reporting requirements relating to defined benefits:-

2009-2010			2010-2011	
TPS £000	LGPS £000		TPS £000	LGPS £000
		COST OF SERVICES		
0	9,060	Current Service Costs	0	14,677
0	109	Past Service (Gains)/Costs	(1,487)	(34,220)
0	34	(Gains)/Losses on Curtailment	0	1,533
		FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
1,526	30,744	Interest Cost	1,381	33,964
0	(18,167)	Expected Return on Plan Assets	0	(25,533)
1,526	21,780	NET CHARGE TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - (SURPLUS)/DEFICIT ON PROVISION OF SERVICES	(106)	(9,579)
(1,526)	(21,780)	Reversal of Net Charges made for Retirement Benefits in accordance with IAS19	106	9,579
		Actual amount charged against the General Fund Balance in the Year		
0	16,288	- Employer's Contributions payable to the Scheme	0	18,353
1,996	0	- Retirement Benefits payable directly to Pensioners	1,977	0
1,996	16,288	TOTAL CHARGE TO THE GENERAL FUND BALANCE	1,977	18,353

(i) The current service cost represents the future service cost to the Authority of one year's accrual of pension benefits for active members, calculated on the actuarial assumption used at the start of the year for IAS 19 purposes, as detailed in section (e).

(ii) In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. The actuarial assumptions are that over the long term CPI will be less than RPI by 0.5% p.a. and this has the effect of significantly reducing the calculated value of plan liabilities for accounting purposes.

The impact of this change has been shown as a negative past service cost, since it arises from a change in the provisions of the Scheme.

(iii) The expected return on plan assets is the assumed rate of return on the investment assets of the plan. It is not intended to reflect the actual realised return by the plan, but a longer-term measure based on the value of assets at the start of the year and expected return factor. The actual return on plan assets during 2010-2011 was £31.709m.

(d) Assets and Obligations in Relation to Retirement Benefits

The following tables identify the movement in the present value of defined benefit obligations and the fair value of the plan assets:-

Reconciliation of Present Value of Defined Benefit Obligations

The liabilities show the commitments that the Authority, in the long run, is estimated to have to pay to cover its Pension related obligations.

Liabilities LGPS (Funded)	Liabilities LGPS (Unfunded)	Liabilities TPS		Liabilities LGPS (Funded)	Liabilities LGPS (Unfunded)	Liabilities TPS
2009-2010 £000	2009-2010 £000	2009-2010 £000		2010-2011 £000	2010-2011 £000	2010-2011 £000
(424,101)	(10,899)	(22,491)	Balance brought forward at 1 April	(593,643)	(12,885)	(26,101)
(9,060)	0	0	Current Service Cost	(14,677)	0	0
(30,003)	(741)	(1,526)	Interest Cost	(33,268)	(696)	(1,381)
(5,264)	0	0	Contributions by Plan Participants	(5,324)	0	0
(142,448)	(2,161)	(4,080)	Actuarial Gains and (Losses)	34,418	1,216	(1,490)
17,376	916	1,996	Benefits Paid	19,144	909	1,977
(109)	0	0	Past Service (Costs)/Gains	33,622	598	1,487
(34)	0	0	Curtailments	(1,533)	0	0
(593,643)	(12,885)	(26,101)	Balance carried forward at 31 March	(561,261)	(10,858)	(25,508)

The LGPS un-funded obligations represent additional benefits awarded upon early retirement.

The contributions payable to the Scheme during 2011-2012 are expected to be broadly in line with those paid in 2010-2011, allowing for any changes in the number of participants and the changes to the contribution mechanism detailed in (f) below.

Reconciliation of Fair Value of Plan Assets

As disclosed in Note 13(a), there are no assets to cover the Teachers' added years liabilities. The movement in assets relating to the LGPS is provided in the table below:-

2009-2010 £000		2010-2011 £000
290,563	Balance brought forward at 1 April	391,591
18,167	Expected Return on Plan Assets	25,533
79,601	Actuarial Gains and (Losses) on Plan Assets	(1,588)
16,286	Employer Contributions	18,350
5,264	Contributions by Plan Participants	5,324
(18,290)	Benefits Paid	(20,050)
391,591	Balance carried forward at 31 March	419,160

(e) Basis for Estimating Assets and Obligations

Defined benefit obligations have been assessed on an actuarial basis using the Projected Unit Credit actuarial cost method, an estimate of the pensions that will be

payable in future years, dependent on assumptions about mortality rates, salary levels, etc. This assessment, along with an assessment of the return on plan assets, has been undertaken by Mercer Human Resource Consulting Ltd., an independent firm of actuaries based on the latest full valuation of the scheme. The main assumptions used in their calculations are:-

31 March 2009	31 March 2010		31 March 2011
		Base Assumptions:	
3.3%	3.3%	Rate of RPI inflation	3.4%
2.8%	2.8%	Rate of CPI inflation	2.9%
4.55%	4.55%	Rate of increase in salaries	4.4%
3.3%	3.3%	Rate of increase in pensions	2.9%
7.1%	5.6%	Rate of discounting plan liabilities	5.5%
50%	50%	Proportion of employees opting to take a commuted lump sum	50%
		Mortality Assumptions:	
21.3 years	21.3 years	Life expectancy of male future pensioner aged 65 in 20 years time	22.8 years
24.1 years	24.1 years	Life expectancy of female future pensioner aged 65 in 20 years time	25.7 years
20.3 years	20.3 years	Life expectancy of male current pensioner aged 65	21.4 years
23.2 years	23.2 years	Life expectancy of female current pensioner aged 65	24.1 years
		Return on Plan Assets:	
7.5%	7.5%	Equities	7.5%
4.0%	4.5%	Government Bonds	4.4%
6.0%	5.2%	Other Bonds	5.1%
6.5%	6.5%	Property	6.5%
0.5%	0.5%	Cash/Liquidity	0.5%
7.5%	7.5%	Other	7.5%

The figures included in the Balance Sheet consist of the following categories by proportion:-

31 March 2010			31 March 2011	
%	£000		%	£000
63.6	249,052	Equities	60.7	254,430
12.1	47,382	Government Bonds	10.7	44,850
6.6	25,845	Other Bonds	6.7	28,084
6.3	24,670	Property	7.9	33,113
2.6	10,181	Cash/Liquidity	2.3	9,641
8.8	34,461	Other Assets	11.7	49,042
100.0	391,591	TOTAL	100.0	419,160

(f) Scheme History

The recent scheme history is included in the table below:-

	2006-2007 £000	2007-2008 £000	2008-2009 £000	2009-2010 £000	2010-2011 £000
Present Value of Defined Benefit Obligations:-					
LGPS	(459,727)	(514,561)	(435,000)	(606,528)	(572,119)
TPS	(23,657)	(26,330)	(22,491)	(26,101)	(25,508)
Fair value of assets in the LGPS	347,052	349,768	290,563	391,591	419,160
Surplus/(Deficit) in the Plan:-					
LGPS	(112,675)	(164,793)	(144,436)	(214,936)	(152,958)
TPS	(23,657)	(26,330)	(22,491)	(26,101)	(25,508)
Total	(136,332)	(191,123)	(166,928)	(241,038)	(178,467)

Experience adjustments arising during the same period are as follows:-

	Percentage of Liabilities/Assets as at Balance Sheet Date				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Experience Gains/(Losses) on Plan Assets	NIL	(6.8)	(29.6)	20.3	(0.4)
Experience Gains/(Losses) on Plan Liabilities	NIL	(1.5)	NIL	NIL	7.1

The cumulative amount of actuarial losses recognised to 31 March 2011 in other Comprehensive Income and Expenditure is £36.866m.

The net liability of £178m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet.

In the June 2010 Budget, the Government announced that it had created a Public Services Pension Commission to undertake a “fundamental structural review of public service pensions”, including the LGPS. The Commission, headed by Lord Hutton, has issued a report which includes recommendations to the Government for the future design of public service pension schemes. These recommendations include the proposed introduction of a career average revalued earnings scheme – providing pensions based on average earnings (rather than on final salary).

The Government shall need to consider and decide whether it wishes to accept and enact any of the Commission’s recommendations.

During December 2010, the Merseyside Pension Fund provided details of the outcome of the Triennial Valuation 2010, including those employer contribution rates required for the three years commencing 1 April 2011. These rates have been calculated having regard to the revised Funding Strategy Statement (as agreed by the Pensions Committee at its meeting held on 16 November 2010) and the results of the actuarial valuation.

As part of this process there is a major change in approach regarding the basis of calculating the contribution rate, with a disaggregation into:

(a) the future service funding rate – a contribution rate applied to future pensionable pay;

(b) the past service adjustment – a schedule of fixed sums in respect of past service deficit.

This approach supports the Administering Authority's long term funding objective for the Fund to achieve, and then maintain, sufficient assets to cover 100% of projected accrued liabilities (the "funding target"), with a maximum deficit recovery period of 25 years for scheme employers. A review will be incorporated into the 2013 actuarial valuation.

14. OTHER OPERATING EXPENDITURE

2009-2010 £000		2010-2011 £000
277	Parish Council Precepts(a)	284
24,140	Levies (b)	24,798
5	Payments to the Government Housing Capital Receipts Pool (c)	21
6,565	(Gains)/Losses on the Disposal of Non-Current Assets (d)	(106)
30,987	TOTAL	24,997

(a) The Parish precepts detailed above are as follows:-

2009-2010 £	Precepting Parish	2010-2011 £
50,922	Billinge	51,982
12,700	Bold	12,675
48,549	Eccleston	49,918
64,180	Rainford	63,480
45,000	Rainhill	45,225
44,109	Seneley Green	48,488
11,850	Windle	12,000
277,310	TOTAL	283,768

(b) With effect from 1 April 1990, the Council is required to pay levies to various bodies as part of the regional funding of those bodies. These levies are analysed as follows:-

2009-2010 £000	Service/Levying Body	2010-2011 £000
15,043	Merseyside Passenger Transport Authority	15,682
87	Environment Agency	89
9,010	Merseyside Waste Disposal Authority	9,027
24,140	TOTAL	24,798

(c) Under the provisions of the *Local Government Act 2003*, Local Authorities are required to pay over to the Secretary of State specified amounts of any capital receipts derived from the disposal of an interest in housing land after 1 April 2004.

In accordance with CIPFA's Code, the sum due for payment should be matched by an appropriation from Usable Capital Receipts to ensure there is a neutral impact on the General Fund balance.

(d) The gains/losses on the Disposal of Non-Current Assets can be further analysed as follows:-

2009-2010 £000		2010-2011 £000
(317)	Capital Receipt arising from the Preserved Right to Buy agreement	(264)
6,135	Transfer of Rainhill High to Rainhill Learning Village Trust	0
747	Disposal of other assets	158
6,565	TOTAL	(106)

15. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009-2010 £000		2010-2011 £000
5,555	Interest Payable and Similar Charges	5,513
14,103	Pensions Interest Cost and expected Return on Pensions Assets – see Note 13	9,812
(3,669)	Interest Receivable and Similar Income	(2,045)
(2,577)	Income and Expenditure in relation to Investment Properties and changes in their fair value – see Note 29	253
13,412	TOTAL	13,533

16. TAXATION AND NON-SPECIFIC GRANT INCOME

2009-2010 £000		2010-2011 £000
(63,632)	Council Tax Income	(64,595)
(69,534)	Non-Domestic Rates	(76,838)
(16,049)	Revenue Support Grant	(11,158)
(20,654)	Area Based Grant	(27,020)
(133)	Local Authority Business Growth Initiative (LABGI) Grant	0
(824)	Local Authority Agreement Reward Grant	0
(30,340)	Recognised Capital Grants and Contributions (see below)	(24,480)
(201,166)	TOTAL	(204,091)

The following capital grants were credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement in the period:-

2009-2010 £000	Credited to Taxation and Non-Specific Grant Income	2010-2011 £000
	Department for Education	
2,489	Standards Fund (Other)	1,490
379	Sure Start, Early Years and Child Care	550
15,190	Building Schools for the Future	13,599
452	Youth Capital Fund	0
2,106	Devolved Formula Capital	1,577
637	Primary Capital Programme	0
530	Playbuilder	381
8	Other Grants	451
	Department for Communities and Local Government	
2,025	Regional Housing	1,208
823	Local Area Agreement Reward Grant	0
930	Local Enterprise Growth Initiative	982
	Department of Health	
0	Social Care Reform	124
0	IT Infrastructure	102
266	Social Care Single Capital Pot	211
	Europe	
63	European Regional Development Fund	360
	Department for Transport	
2,778	Transport Supplementary Grant	2,104
	Department for Environmental, Food and Rural Affairs	
49	Waste Infrastructure	115
262	Waste Efficiency and Performance Grant	0
	Other Grants	
387	Lottery Fund	724
570	Sport England	0
77	Other Grants	37
	Contributions	
130	Private Developers	360
10	Housing Associations	0
179	Other	105
30,340	**TOTAL**	**24,480**

17. RECONCILIATION OF DIRECTORATE INCOME AND EXPENDITURE TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(i) Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice.*

However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolio. These reports are prepared on a different basis from the accounting policies used in the financial statements, the primary difference being that the cost of retirement benefits reported to members is based on cash payable in the

year (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year in accordance with IAS 19.

The income and expenditure of the Authority's Portfolios recorded in the budget reports for the year is as follows:

	Children, Young People and Learning Services	Adult Social Care and Health	Urban Regeneration and Housing	Environmental Protection	Culture, Communications and Town Centre	Corporate Services and External Affairs	Neighbourhoods, Safer Communities and Youth	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Portfolio Income and Expenditure 2010-2011								
Fees, Charges and other Service Income	(45,528)	(35,467)	(20,412)	(27,372)	(6,444)	(22,498)	(1,966)	(159,687)
Government Grants	(139,365)	(1,856)	(90)	(350)	(1,161)	(84,742)	(1,413)	(228,977)
Total Income	(184,893)	(37,323)	(20,502)	(27,722)	(7,605)	(107,240)	(3,379)	(388,664)
Employee Expenses	127,473	22,369	9,359	20,572	7,505	14,889	3,944	206,111
Other service expenses	69,554	48,633	22,207	26,277	8,380	93,303	5,331	273,685
Support service recharges	29,126	16,861	5,178	5,254	1,451	6,752	668	65,290
Total Expenditure	226,153	87,863	36,744	52,103	17,336	114,944	9,943	545,086
Net 2010-2011 Expenditure in the Portfolio Analysis	**41,260**	**50,540**	**16,242**	**24,381**	**9,731**	**7,704**	**6,564**	**156,422**

Portfolio Income and Expenditure 2009-2010								
Fees, Charges and other Service Income	(45,645)	(34,549)	(20,503)	(29,425)	(6,578)	(20,472)	(923)	(158,095)
Government Grants	(139,846)	(4,040)	(10,628)	(214)	(1,000)	(81,818)	(1,370)	(238,916)
Total Income	(185,491)	(38,589)	(31,131)	(29,639)	(7,578)	(102,290)	(2,293)	(397,011)
Employee Expenses	127,475	21,683	9,824	20,443	7,261	14,422	3,788	204,895
Other service expenses	75,107	44,108	24,402	26,272	6,551	89,068	3,615	269,123
Support service recharges	27,749	19,406	4,986	6,940	1,342	6,831	695	67,949
Total Expenditure	230,331	85,197	39,212	53,655	15,154	110,320	8,098	541,967
Net 2009-2010 Expenditure in the Portfolio Analysis	**44,840**	**46,608**	**8,081**	**24,016**	**7,576**	**8,031**	**5,805**	**144,956**

(ii) Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009-2010 £000	2010-2011 £000
Net Expenditure in the Portfolio Analysis	144,956	156,422
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Portfolio Analysis:		
Movement on School Balances - See Note 7	(429)	149
4NW Surplus - See Notes 7&8	(254)	(1,139)
Holiday Pay accrual - See Note 6(g)	0	(196)
Coroners Service	216	0
Past Service Costs & Curtailments - Pensions - See Notes 12&13	143	(34,174)
Current Service Costs - Pensions - See Note 13	9,060	14,677
IFRS Transition Adjustments - See Note 1 (a,c,g)	190	0
Amounts included in the Portfolio Analysis not included in the Comprehensive Income and Expenditure Statement:		
Employers contributions to Schemes - Pensions - See Note 13	(16,288)	(18,353)
Retirement benefits payable directly - Pensions - See Note 13	(1,996)	(1,977)
Investment Properties Adjustment	0	2,162
IFRS Transition Adjustments - See Note 1 (b,f,g)	6,229	0
Cost of Services in the Comprehensive Income and Expenditure Statement	**141,827**	**117,571**

(iii) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

Portfolio Income and Expenditure 2010-11	Portfolio Analysis	Amounts in CIES not reported to Management in Portfolio Analysis	Amounts included in the Portfolio Analysis not included in the CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(159,687)	(1,139)		(160,826)		(160,826)
Interest and Investment Income				0	(29,740)	(29,470)
Income from Council Tax				0	(64,595)	(64,595)
Government Grant	(228,977)			(228,977)	(139,496)	(368,473)
Total Income	(388,664)	(1,139)	0	(389,803)	(233,831)	(623,634)
Employee Expenses	206,111	(19,693)	(20,330)	166,088	0	166,088
Other Service Expenses	251,905	149	2,162	254,216	0	254,216
Support Service Recharges	65,290			65,290	0	65,290
Depreciation, Amortisation & Revaluation	21,780			21,780	2,415	24,195
Interest Payments				0	40,858	40,858
Precepts and Levies				0	25,082	25,081
Payments to Housing Capital Receipts Pool				0	21	21
(Gain)/Loss on Disposal of Fixed Assets				0	(106)	(106)
Total Expenditure	545,086	(19,544)	(18,168)	507,374	68,270	575,644
(Surplus)/Deficit on the Provision of Services	156,422	(20,683)	(18,168)	117,571	(165,561)	(47,990)

Portfolio Income and Expenditure 2009-10 Comparative Figures	Portfolio Analysis	Amounts in CIES not reported to Management in Portfolio Analysis	Amounts included in the Portfolio Analysis not included in the CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(158,095)	(254)		(158,349)		(158,349)
Interest and Investment Income					(24,095)	(24,095)
Income from Council Tax					(63,632)	(63,632)
Government Grants	(238,916)	(60)	3,455	(235,422)	(137,534)	(373,056)
Total Income	(397,012)	(314)	3,455	(393,871)	(225,261)	(619,132)
Employee Expenses	204,895	9,423	(18,284)	196,034		196,034
Other Service Expenses	250,768	(429)	3,132	253,471	46	253,517
Support Service Recharges	67,949			67,949		67,949
Depreciation, Amortisation & Revaluation	18,356		(358)	17,998	(364)	17,634
Interest Payments				0	37,825	37,825
Precepts and Levies		216		216	24,418	24,634
Payments to Housing Capital Receipts Pool					5	5
(Gain)/Loss on Disposal of Fixed Assets		30		30	6,565	6,595
Total Expenditure	541,968	9,240	(15,510)	535,698	68,495	604,193
(Surplus)/Deficit on the Provision of Services	144,956	8,926	(12,055)	141,827	(156,766)	(14,939)

18. GRANT INCOME

The following grants and contributions were credited to the Cost of Services within the Comprehensive Income and Expenditure Statement during the period. Income is used to either fund revenue activities or to meet expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset (REFCUS items):

2009-2010 £000 Income applied to fund REFCUS items	2009-2010 £000 Revenue Grants and Contributions		2010-2011 £000 Income applied to fund REFCUS items	2009-2010 £000 Revenue Grants and Contributions
		Department for Education		
139	18,533	Standards Fund	4,424	19,384
607	7,251	Sure Start, Early Years and Child Care	979	8.311
0	0	Building Schools for the Future	3,736	0
74	0	Youth Capital Fund	25	0
235	0	Devolved Formula Capital	0	0
399	0	Primary Capital Programme	0	0
2,501	0	Secure Accommodation Grant	1,687	0
0	106,366	Dedicated Schools Grant	0	103,001
0	183	Youth Opportunities Fund	0	273
0	213	Contact Point	0	218
0	147	Parenting Support Strategy Grant	0	548
0	0	Targeted Mental Health in Schools	0	156
0	661	Other Grants	41	557
		Department for Communities and Local Government		
1,067	24	Regional Housing	0	0
841	0	Disabled Facilities Grant	883	0
4	127	Planning Delivery Grant	4	0
227	0	Local Enterprise Growth Initiative	0	0
0	90	Regional Chambers Fund	0	36
0	12,895	Supporting People*	0	0
0	0	Other	0	134
		Department of Health		
2,682	0	Extra Care Housing	0	0
0	713	Social Care Reform	0	1,371
0	0	Young Peoples Substance Misuse	0	250
0	62	Stroke Care	0	210
0	104	Other	0	99
		Europe		
0	137	European Regional Development Fund	0	177
0	342	European Structural Fund	0	737

2009-2010 £000 Income applied to fund REFCUS items	2009-2010 £000 Revenue Grants and Contributions		2010-2011 £000 Income applied to fund REFCUS items	2009-2010 £000 Revenue Grants and Contributions
		Department for Works and Pensions		
0	81,727	Housing Benefit	0	84,656
		Home Office		
0	475	Crime Reduction	0	0
0	234	Drugs Action Team	0	234
0	124	Other	0	64
		Department for Transport		
44	86	Transport Supplementary Grant	50	0
0	0	Road Maintenance Pot Hole Grant	0	210
0	0	Other	0	36
		Department for Environmental, Food and Rural Affairs		
0	0	Air Quality	17	0
		Other Grants		
5	0	Contaminated Land	106	0
45	0	Safer, Stronger Communities Fund	32	0
0	482	Lottery Fund	0	623
0	6,784	Young Peoples Learning Agency (Formerly Learning Skills Council)	0	6,658
0	0	Youth Justice Board	0	592
0	0	Teacher Training Agency	0	563
0	203	Sport Council	0	221
0	18	Northwest Development Agency	0	134
0	368	Other	0	357
		Contributions		
0	126	Housing Associations	1,468	103
0	8,361	Health Authorities	0	9,717
0	31	Other	0	36
8,872	**246,870**	**TOTAL**	**13,453**	**239,666**

* Supporting People grant is no longer paid as a specific grant. During 2010-2011, the grant formed part of Area Based Grant.

19. AGENCY SERVICES

(i) The Council provides a range of services for Merseyside Waste Disposal Authority (MWDA), including:

- Estates;
- Exchequer Services;
- IT and Information Systems;
- Audit;
- Payroll;
- Heath and Safety and Insurance;
- Treasury Services; and
- VAT Advice.

The above services are provided by the Council to MWDA on a cost recovery basis so no surplus arises from this agency arrangement.

(ii) The Council also provides a range of educational, facilities management and support services to The Sutton Academy. These services are provided on a cost recovery basis so no surplus arises from this agency income.

(iii) The Council, as a billing authority, acts as an agent for Central Government in respect of the collection of National Non Domestic Rates (NNDR). The Government pay the Council an annual allowance to cover the cost of collection.

(iv) The Council, as a billing authority, also collects Council Tax on behalf of the major preceptors and itself. Under the legislative framework, the Council and the major preceptors share proportionately the risks and rewards relating to Council Tax collection. No charge is made to the preceptors in relation to Council Tax administration.

The table below details the income arising from the Council's significant agency arrangements:

2009-2010 £000		2010-2011 £000
102	MWDA	125
N/A	The Sutton Academy	198
202	NNDR	202
0	Council Tax	0

As The Sutton Academy was only established in August 2010, the figures shown reflect the part year charges and there are no comparative figures that can be shown for 2009-2010.

20. TRADING ACCOUNTS

There are a number of services that the Authority undertakes with the public or with other third parties and may, accordingly, be assessed as being 'trading operations'. For the purposes of this note, activity undertaken on behalf of schools (who have a choice as to which service provider they will use) is included. The most significant of these being:-

2009-2010 Internal Turnover £000	2009-2010 School Turnover £000	2009-2010 Other 'External Parties' Turnover £000	2009-2010 Surplus/ (Deficit) £000		2010-2011 Internal Turnover £000	2010-2011 School Turnover £000	2010-2011 Other 'External Parties' Turnover £000	2010-2011 Surplus/ (Deficit) £000
243	4,885	37	0	School/Welfare/Other Catering	224	4,716	33	0
735	1,385	23	0	Cleaning	529	1,529	82	0
245	1,208	4	0	Caretaking	413	1,040	1	0
2,487	301	100	0	Grounds Maintenance	2,449	295	56	0
728	229	0	0	Security Services	675	231	24	0
0	0	913	(95)	Markets	0	0	872	(49)

21. NATIONAL HEALTH SERVICE ACT 2006 POOLED FUNDS

Section 31 of the Health Act 1999 enabled the establishment of joint working arrangements between NHS bodies and local authorities, including the operation of 'pooled budget' and 'integrated provision' arrangements which will enable those bodies to work collaboratively to address specific local health issues. This legislation has now been repealed and replaced by Section 75 of the National Health Service Act 2006. Existing Section 31 arrangements continue as if made under the new provisions.

Pooling Arrangements

Two separate 'pooling' arrangements existed during the financial period:

(i) an arrangement with Halton and St. Helens PCT in relation to the *Young People's Substance Misuse Service*.

The objectives of that arrangement are to educate young people, their parents and carers on substance misuse issues and to ensure young people identified as having problems receive appropriate advice, information, support or intervention/care packages.

Total Pooled Income 2009-2010 £000	St. Helens Council Contribution 2009-2010 £000	Pooled Arrangement	Type of Partner	Total Pooled Income 2010-2011 £000	St. Helens Council Contribution 2010-2011 £000
246	125	Substance Misuse Service	'Host'	247	125

Arrangements are such that any in-year surplus/deficit on the scheme are carried forward into the subsequent financial year.

(ii) an arrangement with Knowsley MBC, Knowsley PCT and Halton & St. Helens PCT in relation to an *Integrated Community Equipment Store.* The pooled fund was set up to simplify access to the service by health and social care practitioners and to standardise processes and procedures, improving both the speed and quality of the service.

This arrangement was terminated in Summer 2010 and replaced with a Joint Equipment Store. The partners to this arrangement are Halton & St. Helens PCT

and Halton BC. Whilst it is likely that a formal Section 75 Agreement will be signed in respect of the arrangement, to date this has not been completed.

No formal pooled budget was agreed for 2010-2011. The new arrangement was established in September 2010.

Integrated Provision Arrangements

The following integrated provision arrangements were registered with the Department of Health:-

Project	PARTNERS		
	Halton and St. Helens PCT	5 Borough NHS Trust	Halton B.C.
Integrated Mental Health Services	x	x	
Intermediate Care Services (Reablement and Rapid Response)	x		
Health Improvement Management	x		
Lead Commissioners	x		x

22. LEASING

The Authority as Lessee – Operating Leases

The Authority uses various types of vehicles, computer equipment and furniture and fittings under terms of operating leases. The Authority also currently leases a small number of buildings/sites under operating lease terms. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.307m (£1.527m 2009-2010).

The future minimum lease payments due under non-cancellable leases in future years are:

As at 31 March 2010 £000		As at 31 March 2011 £000
1,019	Not later than one year	843
2,656	Later than one year and not later than five years	2,443
6,548	Later than five years	6,008
10,223	TOTAL	9,294

The Authority had no expenditure on contingent rents or sub-leases in 2010-2011, nor did the Authority receive any income from sub-lease arrangements.

The Authority as Lessor – Operating Leases

The Authority has a number of properties leased out under operating leases for investment/ commercial purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

As at 31 March 2010 £000		As at 31 March 2011 £000
760	Not later than one year	635
2,319	Later than one year and not later than five years	2,197
32,841	Later than five years	32,329
35,920	TOTAL	35,161

The minimum lease payments receivable, shown in the table, do not include potential future income from The Hardshaw Centre/Church Square commercial properties, as payments are made to the Authority as a percentage of profit rather than a fixed annual lease payment. The Authority received £1.668m rental income in 2010-2011 on these properties (£1.729m in 2009-2010).

23. OFFICERS' REMUNERATION IN EXCESS OF £50,000

The *Accounts and Audit Regulations 2011* require the disclosure of amounts paid to Officers and define remuneration as:-

> '……..all amounts paid to or receivable by a person, and includes sums due by way of expense allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.'

(i) The number of employees receiving remuneration in excess of £50,000 are as follows:-

No. of Employees 2009-2010	Remuneration	No. of Employees 2010-2011
70	£50,000-£54,999	68
44	£55,000-£59,999	53
16	£60,000-£64,999	19
14	£65,000-£69,999	15
10	£70,000-£74,999	9
5	£75,000 - £79,999	2
5	£80,000 - £84,999	3
3	£85,000 - £89,999	3
1	£90,000 - £94,999	0
3	£95,000-£99,999	2
0	£100,000-£104,999	1

The table above includes a number of employees whose basic remuneration for 2010-2011 was below £50K, however their total remuneration for the year exceeded £50K as a result of redundancy payments made. The table also excludes those Senior Officers, for whom further detail is provided at (iii).

(ii) The table above includes teachers employed by their school's governing body rather than directly by the Authority, these can be seen separately below:-

No. of Employees 2009-2010	Remuneration	No. of Employees 2010-2011
23	£50,000-£54,999	17
15	£55,000-£59,999	16
4	£60,000-£64,999	7
2	£65,000-£69,999	1
1	£70,000-£74,999	1
3	£75,000 - £79,999	1
2	£80,000 - £84,999	2
0	£85,000 - £89,999	0
1	£90,000 - £94,999	0
0	£95,000-£99,999	1

(iii) The following Table sets out the remuneration disclosures for Senior Officers whose salary exceeds £50,000 p.a.:-

Senior Employee	2009-2010			2010-2011			
	Salary (£000)	Additional Payments (£000)	Employer's Pension Contribution (£000)	Salary (£000)	Additional Payments (£000)	Redundancy (£000)	Employer's Pension Contrib. (£000)
Carole Hudson – Chief Executive	152	6	28	152	6	0	28
Director of Urban Regeneration and Housing	115	1	21	115	1	0	21
Director of Environmental Protection	112	0	20	112	0	0	20
Director of Children and Young People's Services	112	2	20	112	2	0	20
Director of Adult Social Care and Health	108	1	20	106	3	0	20
Assistant Chief Executive (Finance)	103	0	19	103	0	0	19
Assistant Chief Executive (Legal and Administrative Services)*	98	0	18	93	0	0	17
Assistant Chief Executive (Asset Management and Construction Procurement)	97	1	18	97	1	57	18
Chief Executive 4NW	97	3	18	97	3	0	18

Senior Employee	2009-2010			2010-2011			
	Salary (£000)	Additional Payments (£000)	Employer's Pension Contribution (£000)	Salary (£000)	Additional Payments (£000)	Redundancy (£000)	Employer's Pension Contrib. (£000)
Head of Corporate and Community Safety	81	1	15	81	1	0	15
Head of Policy and Performance	81	1	15	81	1	0	15
Head of Human Resources	81	0	15	81	0	0	15
Head of Public Affairs	81	0	15	81	0	0	15

* The officer employed as the Assistant Chief Executive (Legal and Administrative Services) changed during September 2010.

24. MEMBERS' ALLOWANCES

Period	Allowances due to Members £000
2009-2010	616
2010-2011	590

At the Council meeting held on 14 July 2010, Members resolved that a 4% reduction in allowances be implemented. Further details of the circumstances in which allowances are paid to Members together with annual amounts paid to each Member under such schemes can be obtained from the Head of Administrative Services, Town Hall, St. Helens, WA10 1HP.

25. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of the material transactions with Government Departments are included in the Cash Flow Statement and in Notes 36 (Debtors), 38 (Creditors) and the various Notes relating to Grants.

Members of the Council have direct control over financial and operational policies of the Council, and governance arrangements exist to ensure that the decision making processes contain provision for declarations of interest where appropriate. Matters worthy of reference in accordance with Financial Reporting Standards include:-

(i) various Chief Officers and Members serve as Council representatives on bodies that are in receipt of Council funding (e.g. Citizens Advice Bureau, Age UK). The Council has processes in place to ensure that relevant interests are declared as appropriate;

(ii) contributions totalling £0.377m were made to The World of Glass during 2010-2011 (£0.350m in 2009-2010). The Council has Member representation on the Board of that organisation;

(iii) during 2010-2011 works and services to the value of £0.135m were commissioned from a company in which one Member had an interest (£0.156m in 2009-2010). Payments and contracts were entered into in full compliance with the Council's Constitution, in particular with adherence to Contract Procedure Rules.

Other parties that could be classified as related parties include:-

2009-2010 Receipts £000	2009-2010 Payments £000		2010-2011 Receipts £000	2010-2011 Payments £000
(15)	1,021	Merseyside Police Authority*(a) - Community Safety Initiatives	(16)	850
0	113	Merseyside Fire and Rescue Service*(a) - Community Safety Initiatives	0	52
(3)	0	Chief Officers - Car Loan Advance/Repayment	0	0

*(a) Details of the transactions with these major preceptors can be found in the Collection Fund and its associated disclosure notes, and Note 36 (Debtors)

Other related party transactions are disclosed in Notes 14 (Levies), 13 (Pensions) and 24 (Members' Allowances).

26. AUDIT FEES

The Council incurred the following fees relating to external audit and inspection:-

2009-2010 £000		2010-2011 £000
242	Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor	257
17	Fees payable to the Audit Commission in respect of statutory inspection	0
43	Fees payable to the Audit Commission for the certification of grant claims and returns	54
0	Fees payable in respect of other services provided by the appointed auditor	0

27. TERMINATION BENEFITS

The following termination benefits have accrued during the period:

2009-2010 £000		2010-2011 £000
201	Redundancy Payments	2,283
0	Payment in lieu of notice	295
201	TOTAL	2,578

As part of its ongoing Budget Strategy, the Council will continue to undertake service reviews in order to ensure that its financial position remains sustainable. This is likely to result in future termination benefits arising as formal detailed plans materialise.

28. PROPERTY, PLANT AND EQUIPMENT

(a) Net Book Value

The Carrying Amount (Net Book Value) of the recognised items of Property, Plant and Equipment are as detailed in the table below:

At 31 March 2010 £000		At 31 March 2011 £000
177,233	Land and Buildings	182,982
14,391	Vehicles, Plant, Furniture and Equipment	14,190
141,514	Infrastructure Assets	148,013
11,991	Community Assets	12,324
5,048	Surplus Assets	5,216
13,665	Assets under Construction	24,104
363,842	Total Property, Plant and Equipment	386,829

Further details of the Cost/Valuation and Depreciation/Impairment are included at (b) and (c).

(b) Movements in 2010-2011

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance brought forward at 1 April 2010	184,443	24,618	165,296	11,991	5,083	13,665	405,096
Additions	11,661	4,469	8,751	343	621	18,802	44,647
Revaluations recognised in the Revaluation Reserve	1,472	0	0	0	(1,321)	0	151
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(5,493)	(510)	0	(37)	(1,684)	0	(7,724)
Derecognition – Disposals	0	0	0	0	0	0	0
Derecognition – Assets with Nil Net Book Value	(272)	(2,592)	0	0	0	0	(2,864)
Assets reclassified (to)/from Assets Held for Sale/Investment Properties	27	0	0	27	(2,072)	0	(2,108)
Other reclassifications	1,776	0	1,931	0	4,656	(8,363)	0
Other movements in Cost or Valuation	(708)	0	0	0	0	0	(708)
Balance carried forward at 31 March 2011	192,906	25,985	175,978	12,324	5,283	24,104	436,580
Accumulated Depreciation and Impairment							
Balance brought forward at 1 April 2010	7,210	10,227	23,782	0	35	0	41,254
Depreciation Charge	4,624	4,160	4,183	0	0	0	12,967
Written out to the Revaluation Reserve	(214)	0	0	0	0	0	(214)
Written out to the Surplus/Deficit on the Provision of Services	(1,124)	0	0	0	0	0	(1,124)
Derecognition – Disposals	0	0	0	0	0	0	0
Derecognition – Assets with Nil Net Book Value	(272)	(2,592)	0	0	0	0	(2,864)
Assets reclassified (to)/from Assets Held for Sale/Investment Properties	(7)	0	0	0	(13)	0	(20)
Other reclassifications	(45)	0	0	0	45	0	0
Other movements in Depreciation and Impairment	(248)	0	0	0	0	0	(248)
Balance carried forward at 31 March 2011	9,924	11,795	27,965	0	67	0	49,751

(c) Comparative Movements in 2009-2010

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance brought forward at 1 April 2009	160,502	24,073	159,298	8,543	5,765	17,838	376,019
Additions	12,280	5,195	5,998	1,887	0	11,774	37,134
Revaluations recognised in the Revaluation Reserve	5,217	0	0	0	365	0	5,582
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(8,028)	(348)	0	0	(946)	0	(9,322)
Derecognition – Disposals	(6,387)	0	0	0	0	0	(6,387)
Derecognition – Assets with Nil Net Book Value	0	(4,302)	0	0	0	0	(4,302)
Assets reclassified (to)/from Assets Held for Sale/Investment Properties	0	0	0	0	(786)	0	(786)
Other Reclassifications	14,161	0	0	1,561	225	(15,947)	0
Other movements in Cost or Valuation	6,698	0	0	0	460	0	7,158
Balance carried forward at 31 March 2010	184,443	24,618	165,296	11,991	5,083	13,665	405,096
Accumulated Depreciation and Impairment							
Balance brought forward at 1 April 2009	4,998	11,025	19,757	0	83	0	35,863
Depreciation Charge	4,378	3,504	4,025	0	0	0	11,907
Written out to the Revaluation Reserve	(1,133)	0	0	0	0	0	(1,133)
Written out to the Surplus/Deficit on the Provision of Services	(771)	0	0	0	(37)	0	(808)
Derecognition – Disposals	(262)	0	0	0	(11)	0	(273)
Derecognition – Assets with Nil Net Book Value	0	(4,302)	0	0	0	0	(4,302)
Balance carried forward at 31 March 2010	7,210	10,227	23,782	0	35	0	41,254

(d) Valuation Profile

The following Table shows the progress of the Council's rolling programme for the revaluation of plant, property and equipment (excluding community assets, infrastructure assets and assets under construction since they are valued at historic cost):-

	Operational Land and Buildings £000	Vehicles, Plant and Equipment £000	Non-Operational Assets £000
Valued at current value in:-			
Current Year	69,290	5,198	1,131
Previous Year	34,969	4,321	542
Two Years Ago	48,169	5,226	2,648
Three Years Ago	25,009	1,978	2
Four Years Ago	5,877	6,474	466
Over Four Years Ago	9,592	2,788	494
TOTAL	192,906	25,985	5,283

29. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009-2010 £000		2010-2011 £000
(2,259)	Rental income from investment property	(2,189)
46	Direct operating expenses arising from investment property	27
(2,213)	Net (gain)/loss	(2,162)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the its right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:-

2009-2010 £000		2010-2011 £000
31,321	Balance brought forward at 1 April	31,685
0	Disposals	(62)
364	Net gains/losses from fair value adjustments	(2,415)
0	Transfers (to)/from Property, Plant and Equipment	(104)
31,685	Balance carried forward at 31 March	29,104

30. INTANGIBLE ASSETS

The Council's intangible assets consist of software licences which are held for externally purchased strategic IT systems. Costs are amortised to relevant service revenue accounts on a straight-line basis over the estimated life of the system, which equates to an average of approximately 5 years:-

2009-2010 £000				2010-2011 £000		
Gross Carrying Amount £000	Accum. Amortisation £000	Net Carrying Amount £000		Gross Carrying Amount £000	Accum. Amortisation £000	Net Carrying Amount £000
1,451	(859)	592	Balance brought forward at 1 April	1,680	(1,058)	622
229	(199)	30	Movement in year	0	(195)	(195)
1,680	(1,058)	622	Balance carried forward at 31 March	1,680	(1,253)	427

The amortisation charges to the Comprehensive Income and Expenditure Statement may be further analysed as follows:-

2009-2010 £000	Service	2010-2011 £000
48	Children's and Education Services	94
19	Cultural, Environmental, Regulatory and Planning Services	14
132	Central Services to the Public	87
199	TOTAL	195

31. SHORT & LONG TERM INVESTMENTS

2009-2010				2010-2011		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
51,000	1,344	52,344	Short-Term Investments	94,000	1,619	95,619
65,387	1,028	66,415	Long-Term Investments	36,387	111	36,498
116,387	2,372	118,759	TOTAL	130,387	1,730	132,117

Chancery Bank PLC went into administration in February 1991. At that time, the Council had a short-term investment of £3.4m with the bank. As a result of the voluntary arrangement agreement, this amount was converted to a term deposit and, in accordance with proper practice, a provision has been made pending the receipt of invested monies. This is written down as the investment is repaid by Chancery. The figures above are net of this provision.

2009-2010 £000		2010-2011 £000
3,000	Original Investment in Chancery	3,000
464	Accrued Interest	464
(2,144)	Less: Repaid up to 31 March	(2,144)
1,320	Investment at 31 March	1,320

32. LONG-TERM DEBTORS

Fair Value 31 March 2010 £000	Balance at 31 March 2010 £000		New Loans £000	Repaid in Year £000	Balance at 31 March 2011 £000	Adjustment to Fair Value £000	Fair Value 31 March 2011 £000
1,254	2,165	Improvement Loans	987	(25)	3,127	(1,263)	1,864
8	8	Mortgages	0	0	8	0	8
652	971	Housing Innovation Loans	0	0	971	(305)	666
58	58	Council House Sales	0	(20)	38	0	38
185	185	Housing Associations	0	(10)	175	0	175
131	131	Mortuary	0	(29)	102	0	102
1,305	1,410	Property Case Arrears	893	(703)	1,600	(119)	1,481
10	10	Eccleston Parish Council	0	(2)	8	0	8
3,603	4,938	TOTAL	1,880	(789)	6,029	(1,687)	4,342

The "adjustment to fair value" relates to loans made at rates below prevailing market rates (soft loans).

33. CAPITAL EXPENDITURE AND FINANCING

(a) Capital Financing Requirement

The total amount of expenditure financed by capital resource in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2009-2010 £000		2010-2011 £000
143,220	Opening Capital Financing Requirement	144,699
	Capital Investment	
37,135	Property, Plant and Equipment	44,645
229	Intangible Assets	0
10,389	Revenue Expenditure Funded from Capital under Statute	15,114
523	Long-Term Debtors (Improvement Loans)	987
	Sources of Finance	
(2,098)	Capital Receipts	(8,665)
(37,301)	Government Grants and Other Contributions	(38,879)
	Sums set aside from Revenue	
(1,015)	Direct Revenue Contributions	0
(6,383)	Revenue Provision	(6,590)
144,699	Closing Capital Financing Requirement	151,311
	Explanation of Movements in Year	
(1,525)	Increase/(Decrease) in underlying need to borrowing (supported by government financial assistance)	(549)
3,004	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	7,161
1,479	Increase/(Decrease) in Capital Financing Requirement	6,612

(b) Capital Commitments

At 31 March 2011, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment, which in 2011-2012 and future years is budgeted to cost £43.669m. Similar commitments as at 31 March 2010 were £26.383m.

The major contractual commitments are:-

	£000
Building Schools for the Future Schemes	
Hope Academy	7,696
De La Salle	20,181
ICT Equipment	8,001
Other Schemes	
Primary Capital Programme	2,231
UGB Site	3,019

34. ASSETS HELD FOR SALE

2009-2010 £000		2010-2011 £000
6,535	Balance brought forward at 1 April	4,986
786	Assets newly classified as held for sale:-Property, Plant and Equipment	2,101
(132)	Revaluation Losses	0
(2,203)	Assets Sold	(786)
4,986	Balance carried forward at 31 March	6,301

35. INVENTORIES

2009-2010 Consumable Stores £000		2010-2011 Consumable Stores £000
269	Balance brought forward at 1 April	238
3,185	Purchases	3,506
(3,216)	Recognised as an expense in the year	(3,528)
238	Balance carried forward at 31 March	216

36. SHORT-TERM DEBTORS

31 March 2010 £000		31 March 2011 £000
5,981	NNDR Agency Arrangement	3,798
2,255	Benefits Subsidy	0
2,229	Other Government Grants and Contributions	1,440
2,421	VAT	2,424
437	Former Council Tenants	271
4,510	Council Taxpayers (a)	4,830
154	Other Local Authorities	1,549
276	Merseyside Police Authority (b)	246
122	Merseyside Fire and Rescue Service (b)	109
1,719	Housing Benefits	1,987
415	Employees	191
330	Helena Partnerships (c)	362
288	NHS Bodies	738
10,453	Sundry	9,897
31,590	GROSS DEBTORS	27,842
	Less: Provision for Bad Debts:	
(1,600)	Council Tax (a)	(1,791)
(1,125)	Overpaid Housing Benefit	(1,293)
(437)	Former Council Tenants	(271)
(1,127)	Other	(1,123)
(4,289)	TOTAL PROVISION FOR BAD DEBTS	(4,478)
27,301	NET DEBTORS	23,364

(a) Represents the Council's share of Council Tax debtors and impairment allowance for doubtful debts.

(b) Represents the major Precepting Authorities share of Council Tax debtors, impairment allowance for doubtful debts, overpayments, credits and deficit on the statutory Collection Fund.

(c) Primarily relates to Preserved Right to Buy receipts as provided for in the Stock Transfer Agreement between the Council and Helena Housing.

37. SHORT AND LONG-TERM BORROWING

Under the Code balances relating to financial instruments should be shown as current or long-term depending on when amounts are payable or receivable. Accrued interest in respect of the Authority's PWLB and market loans are separated from the principal sums as these are payable within 12 months and therefore should be treated as current liabilities.

(a) Analysis of Short-Term Borrowing by Type

2009-2010				2010-2011		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
4	859	863	PWLB	20,004	850	20,854
0	313	313	Market Loans	0	315	315
4	1,172	1,176	TOTAL	20,004	1,165	21,169

(b) Analysis of Long-Term Borrowing by Type

Principal 31 March 2010 £000		Principal 31 March 2011 £000
70,382	Public Works Loan Board	50,378
23,000	Market Loans	23,000
93,382	TOTAL	73,378

(c) Analysis of Long-Term Borrowing by Maturity Period

31 March 2010		31 March 2011
Principal £000		Principal £000
20,004	Between one and two years	5
15	Between two and five years	16
13,037	Five to fifteen years	13,046
7,578	Fifteen to twenty five years	7,563
34,748	Twenty five to fifty years	34,748
18,000	Over fifty years	18,000
93,382	TOTAL	73,378

38. SHORT-TERM CREDITORS

31 March 2010 £000		31 March 2011 £000
1,817	Local Government Pension Scheme	1,654
0	Teachers' Pension Scheme	910
3,683	Tax and Nat. Insurance	3,566
0	Benefits Subsidy	1,717
8,788	Other Government Grants and Contributions	6,083
839	Council Taxpayers (a)	764
2,143	Other Local Authorities	875
3,590	Employees	5,689
130	Helena Partnerships	182
367	NHS Bodies	6,683
24,201	Sundry	11,695
45,558	TOTAL	39,818

(a) This represents receipts in advance and refunds due to local taxpayers.

39. PROVISIONS

	Balance at 1 April 2010 £000	Expenditure Charged to Provision in Year £000	Increase/ (Decrease) in Provision £000	Balance at 31 March 2011 £000
Insurance Provision	6,118	(828)	(341)	4,949
TOTAL	6,118	(828)	(341)	4,949

The Council determines its insurance as part of its Risk Management process and organises cover from both external providers and its own self-insurance fund. The balance of the fund is regularly assessed for its adequacy. In the case of its combined (Public and Employers) liability provision, a consultancy opinion on size is commissioned on a frequent basis. The last review of combined liability was undertaken in January 2011 the provision in respect of combined liability insurance has been assessed having regard to that review and know factors / events since. An analysis of the other insurances shows that a provision requirement of £0.908m is required.

40. OTHER LONG TERM LIABILITIES

These consist of liabilities which are (re)payable over a period of time and are analysed as follows:

31 March 2010 £000		31 March 2011 £000
551	Commuted Sums and Contractor Bonds	264
4,425	Merseyside Residual Body Debt	4,148
26,976	Merseyside Waste Disposal Authority investments (a)	40,154
31,952	TOTAL	44,566

(a) See Note 1.

41. CAPITAL GRANTS RECEIPTS IN ADVANCE

The following conditional capital grants and contributions have been received as at the respective Balance Sheet dates and not applied to finance capital expenditure:-

31 March 2010 £000		31 March 2011 £000
	Department for Education	
4,706	Standards Fund	2,990
4,946	Building Schools for the Future	16,678
30	Youth Capital Fund	46
0	Devolved Formula Capital	1,791
0	Secure Accommodation Grant	537
203	Sure Start, Early Years and Child Care	0
9	Playbuilder	0
	Department for Communities and Local Government	
280	Planning Delivery Grant	280
	Department of Health	
32	IT Infrastructure	0
	Department for Transport	
155	Transport Supplementary Grant	99
	Other Grants	
0	Smarter Government – UK Online	4
86	Contaminated Land	5
45	Other	45
	Contributions	
230	Private Developers	217
444	Housing Associations	72
151	Other	50
11,317	TOTAL	22,814

42. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The Council's financial instruments include financial assets (cash and cash equivalents and loans and receivables) and financial liabilities (trade payables arising from day-to-day operations and borrowings). The main purposes of the Council's financial instruments are to raise finance to support the Council's day-to-day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

The table below details the categories of financial instruments carried in the Balance Sheet:

31 March 2010			31 March 2011	
Current £000	Long Term £000		Current £000	Long Term £000
		Investments		
51,000	65,387	Loans and Receivables	94,000	36,387
5,954	0	Cash and Cash Equivalents	9,361	0
1,344	1,028	Accrued Interest on Loans and Receivables	1,619	111
58,298	66,415		104,980	36,498
		Debtors		
7,024	3,603	Financial Assets carried at Contract Amounts	12,662	4,342
65,322	70,018	Total Financial Assets	117,642	40,840
		Borrowings		
(4)	(93,382)	Financial Liabilities at Amortised Cost	(20,004)	(73,378)
(1,172)	0	Accrued Interest on Liabilities at Amortised Cost	(1,165)	0
(1,176)	(93,382)		(21,169)	(73,378)
		Creditors		
(32,248)	0	Financial Liabilities carried at Contract Amount	(27,688)	0
(33,424)	(93,382)	Total Financial Liabilities	(48,857)	(73,378)

The figures for loans and receivables excludes amounts that fall to be classified as cash equivalents. Previously these figures were included within loans and receivables, however for clarity they are now shown under a separate heading.

(b) Income, Expense, Gains and Losses

The table below outlines the income and expense that have been credited/charged to the Comprehensive Income and Expenditure Statement in relation to financial instruments:-

2009-2010			2010-2011	
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000
(5,555)	0	Interest Expense	(5,513)	0
0	3,669	Interest Income	0	2,045
(5,555)	**3,669**	**Net Income / (Expense) for the Year**	**(5,513)**	**2,045**

(c) Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables carried on the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. In calculating the fair value of the Council's financial assets and liabilities, the following assumptions have been used:-

- the fair value of creditors and debtors (trade receivables and payables) are assumed to be the invoiced or billed amount;
- for all Public Works Loan Board (PWLB) loans, the interest rate used for the purpose of calculating the fair value is taken to be the rate available for new loans within the relevant banding as at 31 March 2011;
- for all market borrowings and investments held by the Council, the interest rate used is the rate quoted by the Authority's appointed Treasury Management Consultants, based on market conditions prevailing at the Balance Sheet date;
- no early repayment or impairment is recognised; and
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

Fair values are detailed below:

31 March 2010				31 March 2011		
Carrying Amount £000(1)	Fair Value £000	Variance £000		Carrying Amount £000	Fair Value £000	Variance £000
71,245	90,186	18,941	Financial Liabilities - PWLB Loans	71,232	84,578	13,346
23,313	26,579	3,266	Financial Liabilities - Market Loans	23,315	25,601	2,286
94,558	116,765	22,207	TOTAL	94,547	110,179	15,632

(1) Carrying values include accrued interest

The fair value of the Council's financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above the current market rate increases the amount that the Council would have to pay if the lender requested or agreed to the early repayment of the loans. However, it should be noted that the market loans contain Lender Option Borrower Option (LOBO) loans, whereby at

specified intervals there are options on both the part of the Council and the Lender in relation to rates applicable to the residual terms of the loans. The Council is free to repay the loans, in full, and without penalty if it is not agreeable with any revised options proposed by the Lender.

The PWLB have provided calculations for the fair value of loans outstanding as at 31 March 2011 based on the new rates introduced for the early repayment of loans. Based on these rates, the fair value of loans outstanding as at 31 March 2011 is £95.237m, a variance of £10.659m when compared to the valuation provided by the Council's external treasury advisers:

31 March 2010				31 March 2011		
Carrying Amount £000[1]	Fair Value £000	Variance £000		Carrying Amount £000	Fair Value £000	Variance £000
118,759	119,657	898	Loans and Receivables	132,117	132,648	531
5,954	5,954	0	Cash and Cash Equivalents	9,361	9,361	0
124,713	125,611	898	TOTAL	141,478	142,009	531

(1) Carrying values include accrued interest

The fair value of the Council's loans and receivables is more than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rates increases the amount that the Council would receive if it agreed to the early repayment of the loans.

(d) Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
(10,234)	Cash overdrawn	(13,796)
42	Petty Cash	31
16,146	Bank Call Accounts	23,126
5,954	Total Cash and Cash Equivalents	9,361

(e) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, and its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial Risk Management is the responsibility of the Assistant Chief Executive (Finance) and through full adoption of CIPFA's *Treasury Management in the Public Services: Code of Practice,* the Council has policies and processes in place to control key financial instrument related risks. Under the policies approved by the Council in the annual Treasury Management Strategy, and through its associated Treasury Management Practices (TMP's), the Council has in place written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Council. Credit risk arises from deposits made with banks and financial institutions, as well as credit exposure to the Authority's own customers. Exposure to credit risk is managed through the Council's Counterparty lending list, which places limits on the value and duration over which investments can be made with approved counterparties to minimise the risk of loss. The counterparty list comprises of institutions that are rated independently by FITCH and meet specific rating requirements. The detailed minimum lending requirements for counterparties are outlined in the annual Treasury Management Strategy.

The security of any capital sums available for investment is of paramount importance and as such, should be the overriding factor when making decisions about investments. As a minimum, the Council's counterparty list seeks to ensure that at the time of making investments, all banks and financial institutions meet a minimum FITCH (or Moody's equivalent) rating of long term AA- (banks), A (building societies), short-term F1, have an individual rating of B or above and a support rating of 3 or better. In addition, at the time of making the investment, the institution must have a stable or positive outlook as determined by FITCH and must be domiciled in a country with a minimum sovereign rating of AA+.

The Council has a policy of ensuring that lending limits are commensurate with individual organisations' ratings and to this end, will lend a maximum of £25m to the highest rated institution (£35m for the Council's own bankers), including any deals made to its subsidiaries. The upper limit for investments with the highest rated individual institutions has been increased in response to the turmoil in the financial markets which saw a number of institutions' credit ratings reduced, which had the consequence of significantly reducing the number of counterparties with which the Council would make investments. As part of its strategy for avoiding over-exposure to a few institutions, the Council has continued to monitor opportunities to use surplus cash to repay loans where appropriate, although no such opportunities were identified in 2010-2011.

As detailed in the Council's Treasury Management Strategy, the Council's counterparty list is regularly monitored and is updated for any adverse movements in financial institutions' ratings. Such is the robustness of the Council's criteria for approving investments, that a reduction in an institution's outlook from stable would lead to its removal from the counterparty list. To further strengthen the approach to identifying counterparties of sufficient calibre, the Council has due regard to information provided by its Treasury Management Consultants on the Credit Default Swaps (CDS) position for potential counterparties. Simply put, movement of CDS's helps flag potential risk factors institutions, and therefore the Council will only place investments with institutions which, in addition to meeting the criteria outlined above, have a CDS position that is deemed by its Treasury Management Consultants to be within an acceptable range.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £121.5m, cannot be assessed generally, as the risk of any institution failing to make interest payments or repay principal sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to

all of the Council's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallise. All material sums are invested with UK institutions and deposit protection arrangements will limit any losses that might arise.

The following table summarises the Council's exposure to credit risk at the Balance Sheet date, analysed by credit ratings as they were at the time of making the investment. Figures shown represent the actual investment made and therefore exclude accrued interest. They also include that part of Cash and Cash Equivalents that is represented by sums held in Bank Call Accounts:

Exposure as at 31 March 2010 £000	Institution	Rating	Exposure as at 31 March 2011 £000
85,526	Banks	AA-, F1+	111,506
20,000	Building Societies	AA-, F1+	10,000
10,000	Money Market Funds	AAA	0
17,000	Local Authorities	AAA	32,000
7	War Stock	N/A	7
7,024	Customers	N/A	12,662
139,557	TOTAL		166,175

The Council does not generally allow credit for customers, such that the sum for customers reflects the debtors the Council has with other Authorities and other bodies. Based on the information held within the Council's debtor system, £3.954m was past the Council's standard invoicing period of 14 days at 31 March 2011 (£4.489m at 31 March 2010). The past due amounts are analysed in the table below.

31 March 2010 £000		31 March 2011 £000
1,090	Less than one month	1,032
962	One to three months	1,402
1,192	Three to four months	88
245	Four months to one year	496
1,000	Over one year	936
4,489	TOTAL	3,954

The figures above are gross sums due. Provision for doubtful debt is made separately.

Liquidity Risk

Liquidity risk is the risk arising from unmatched cash flows to maturities. The Council has a comprehensive cash flow management system that seeks to ensure that sufficient liquid funds are available if needed. At the present time, the Council has ready access to borrowing from the PWLB, so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this extent rates will be monitored to ensure that new loans and, where applicable, restructuring can be used to negate against having a significant proportion of the debt portfolio repayable at any one time. An analysis of the Council's borrowings and maturity profile are included at note 37.

Market Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:-

- borrowings at variable rates – the interest expensed charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowing at fixed rates – the fair value of the liabilities borrowing will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings and loans would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in the interest payable or receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Council is risk averse and seeks to minimise exposure arising from its treasury activities and does not undertake any unnecessary borrowing or investment activity. The Council seeks to manage its interest rate risk by constantly reviewing the ratio of borrowing and investments between fixed and variable interest rates.

The table below shows the impact on existing investments and borrowings had interest rates been 1% higher with all other variables being held constant:

2009-2010 £000		2010-2011 £000
2,033	Decrease in the fair value of fixed rate investment assets	1,118
13,778	Decrease in the fair value of fixed rate borrowing liabilities	12,058

The impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Council does not invest in equity shareholding. Consequently, the Council is not currently exposed to price risk arising from movements in the price of shares.

Foreign Exchange Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Council does not have financial assets or

liabilities denominated in foreign currencies and thus, have no exposure to loss arising from movements in exchange rates.

43. TRUST FUNDS

The Council administered 9 Trust Funds during the year which, in the main, consist of legacies left by individuals and are used mainly for educational, cultural and leisure purposes.

The most significant of these Trust Funds are:-

(i) the Sarah Cowley Educational Trust which provides that, available income should be expended "for the benefit of boys and girls resident in the Borough of St. Helens by assisting their education or training, including post-graduate study, at a University or other place of learning, or to enable them to prepare for, or to assist, their entry into some profession, trade or calling and for that purpose may provide them with outfits, clothing, tools, instruments or books";

(ii) the Harry and Mavis Pilkington Fund for Arts and Leisure which is dedicated primarily for the advancement of education through the promotion of art, literature and music; and

(iii) the Ellen Greenoe Trust which was founded to provide benefits for 'the poor people of Sutton'.

These Funds are invested in either interest-bearing accounts or shares and are not included in the Council's Balance Sheet.

31 March 2010 £		2010-2011 Receipts £	2010-2011 Payments £	31 March 2011 £
170,251	Sarah Cowley Educational Trust	3,352	(1,916)	171,687
61,545	Harry & Mavis Pilkington Fund for Arts & Leisure	978	(1,194)	61,329
24,607	Ellen Greenoe Trust	1,197	-	25,804
27,798	Other Funds	198	(2000)	25,996
284,201	TOTAL	5,725	(5,110)	284,816

44. CONTINGENT LIABILITIES

(i) The Council's previous insurers, Municipal Mutual Insurance (MMI) have now ceased to trade and exists solely to discharge its obligations under policies previously issued. These responsibilities relate mainly to legal liability claims that typically take significant periods to finalise. In the event of MMI's insolvency during this period, local authority policyholders have agreed to enter into a 'scheme of agreement' under which there are clawback provisions on claims payments made by MMI after the implementation of the scheme. At this stage it is not considered necessary to keep a provision in relation to this, since a solvent wind-up of the company is forecast. The position will continue to be reviewed and the Council's financial exposure assessed on an ongoing basis.

(ii) Despite having reached agreement with the local Unions in respect of the implementation of Single Status and a Pay and Grading review, which was

implemented on a phased basis between November 2004 and May 2010, the Unions have lodged claims with the Employment Tribunal Office in relation to what they perceive as unlawful practices. A large number of individual claims have been registered since 2007 seeking retrospective payments and a small number of claims continue to be received. The Council is taking appropriate action to defend such claims, based on current and emerging case law, but notwithstanding this the Council may have a potential liability.

(iii) A joint committee of which the Council is a member authority has been asked by a regulatory body to provide information in relation to its activities. At present it is not known whether this will lead to any action or if there will be any financial impact.

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2009-2010 £000		2010-2011 £000
	CASH OUTFLOWS	
177,282	- Cash Paid to and on Behalf of Employees	172,428
64,972	- Housing Benefit Paid Out	68,721
277	- Precepts Paid	284
5	- Payments to the Capital Receipts Pool	21
140,275	- Cash Paid to Suppliers of Goods and Services	147,257
5,735	- Interest Paid	5,916
70,900	- Other Payments for Operating Activities	78,094
459,446		472,721
	CASH INFLOWS	
(50,725)	- Taxation	(50,856)
(343,816)	- Grants	(348,246)
(33,903)	- Sales of Goods and Rendering of Services	(39,612)
(5,089)	- Interest Received	(2,744)
(31,576)	- Other Receipts from Operating Activities	(27,467)
(465,109)		(468,925)
(5,663)	NET CASH FLOW FROM OPERATING ACTIVITIES	3,796

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009-2010 £000		2010-2011 £000
	CASH OUTFLOWS	
36,229	- Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	46,220
0	- Purchase of Short-Term and Long-Term Investments	822
36,229		47,042
	CASH INFLOWS	
(1,799)	- Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,008)
(2,729)	- Proceeds from Sale of Short-Term and Long-Term Investments	0
(48,842)	- Other Receipts from Investing Activities	(51,089)
(53,370)		(52,097)
(17,141)	NET CASH FLOW FROM INVESTING ACTIVITIES	(5,055)

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009-2010 £000		2010-2011 £000
	CASH OUTFLOWS	
12,280	Repayments of Short-Term and Long-Term Borrowings	280
4,160	Other Payments for Financing Activities	0
16,440		280
	CASH INFLOWS	
0	Other Receipts from Financing Activities	(2,428)
16,440	NET CASH FLOW FROM FINANCING ACTIVITIES	(2,148)

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988. The Code of Practice on Local Authority Accounting requires the inclusion of a separate Income and Expenditure Account for the Collection Fund. A separate balance sheet is not required as Collection Fund balances are consolidated with other accounts of the Authority (see Balance Sheet).

NOTES	2009-2010 £000		2010-2011 £000
		INCOME	
1	59,241	Income from Council Tax	60,700
		Transfers from General Fund	
	15,570	- Council Tax Benefits	15,925
	(1)	- Transitional Relief	(1)
2	46,031	Income from Business Ratepayers	44,647
3	849	Contributions towards Previous Year's Estimated Collection Fund Deficit	215
	121,690	TOTAL INCOME	121,486
		EXPENDITURE	
		Precepts and Demands	
	63,840	- St. Helens Council	64,325
	7,812	- Merseyside Police Authority	8,145
	3,465	- Merseyside Fire and Rescue Authority	3,608
		Business Rates	
	45,829	- Payments to National Pool	44,445
	202	- Costs of Collection	202
	(66)	Movement in Bad and Doubtful Debts Provision	225
	121,082	TOTAL EXPENDITURE	120,950
4	608	Movement on Fund Balance	536

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. INCOME FROM COUNCIL TAX
Calculation of the Council Tax Base

The Council Tax replaced the Community Charge from 1 April 1993 and is a tax based on property valuation bandings (A to H). There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands. The Council's tax base, i.e. the number of chargeable dwellings in each band (adjusted for discounts where applicable), converted to an equivalent number of Band D dwellings, was calculated as follows:-

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Dwellings
A	36,213	$^6/_9$	24,141
B	17,141	$^7/_9$	13,332
C	14,330	$^8/_9$	12,738
D	6,209	$^9/_9$	6,209
E	3,072	$^{11}/_9$	3,755
F	1,544	$^{13}/_9$	2,230
G	558	$^{15}/_9$	930
H	31	$^{18}/_9$	62
	79,098		63,397
Less: Anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties			(7,134)
			56,263
Less: Adjustment for collection rates			(563)
TOTAL Band D Equivalent			55,700

The average Council Tax for Band D dwellings for the Council and major precepting authorities was £1,365,85.

2. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for uniform business rates the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform (national) rate. The total amount after deduction of certain reliefs and other allowable deductions is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

2009-2010		2010-2011
£115.4m	NNDR Rateable Value for the area	£126.7m
48.5 pence	Standard NNDR Multiplier	41.4 pence
48.1 pence	Small Business Rate Relief Multiplier	40.7 pence

The multipliers for 2010-2011 are lower than for 2009-2010 to take account of the rateable value revaluation which took effect from April 2010.

3. PREVIOUS YEAR'S COLLECTION FUND SURPLUS/DEFICIT

The estimated previous year's Council Tax surplus/deficit is credited/recharged between the billing Authority and the major Precepting Authorities in proportion to amounts raised.

2009-2010 Surplus/(Deficit) £000		2010-2011 Surplus/(Deficit) £000
(726)	St. Helens Council	(184)
(85)	Merseyside Police Authority	(21)
(38)	Merseyside Fire and Rescue Authority	(10)
(849)	TOTAL	(215)

4. MOVEMENT ON FUND BALANCE

The movement on the Fund Balance consists of:-

2009-2010 £000		2010-2011 £000
(750)	Balance brought forward	(142)
608	Surplus/(Deficit) in Year	536
(142)	Balance at 31 March	394

The Collection Fund balance must be shared by the billing Authority and the major Precepting Authorities as follows:-

2009-2010 £000		2010-2011 £000
(122)	St. Helens Council	333
(14)	Merseyside Police Authority	42
(6)	Merseyside Fire and Rescue Authority	19
(142)	TOTAL	394

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(i) recognising;
(ii) selecting measurement bases for; and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension plan, the changes in actuarial deficits or surpluses that arise because:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
(ii) the actuarial assumptions have changed.

AGENT/AGENCY

Where the Authority is acting as an intermediary, as opposed to on its own behalf.

AMORTISATION

The accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

AMORTISED COST

A method of determining the Balance Sheet carrying amount and periodic charges to the Comprehensive Income and Expenditure Statement of a financial instrument based on the expected cash flows of that instrument.

BALANCE SHEET

A statement showing the position of the Council's assets, liabilities and reserves as at 31 March each year.

BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)

A CIPFA Code established to modernise the system of Local Authority accounting and financial reporting to ensure that it meets the changing needs of modern Local Government.

BVACOP establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level and is given statutory force in England by Regulations made under the Local Government Act 2003.

CAPITAL EXPENDITURE

Expenditure on the acquisition or enhancement of a non-current asset or capital advances and loans to other individuals or other third parties.

CAPITAL FINANCING REQUIREMENT (CFR)

Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Authority to borrow for expenditure of a capital nature.

CAPITAL RECEIPTS

The proceeds from the sale of capital assets or repayment of capital advances which, subject to various limitations (e.g. Pooling obligations contained in the Local Government Act 2003) can be used to finance Capital Expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

CARRYING AMOUNT

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

CASH FLOWS

Inflows and outflows of cash and cash equivalents.

COLLECTION FUND

The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting Authorities and the General Fund.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the leading professional accountancy body for public services, and uniquely among the professional accounting bodies in the UK, CIPFA has responsibility for setting accounting standards, for a significant part of the economy, namely Local Government.

COMMUNITY ASSETS

Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples include parks and public open spaces.

CONDITIONS

Stipulations that specify that the future economic benefits or service potential in an asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENT LIABILITY

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) are based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

CREDITORS

Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied.

CREDIT RISK

The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

CURRENT REPLACEMENT COST

The cost the Authority would incur to acquire the asset on the reporting date.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

CURTAILMENT

For a defined benefit plan, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include :

(i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and

(ii) termination of, or amendment to the terms of, a defined benefit plan so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS

Financial assets arising from the obligation to a future cash receipt for goods or services or other benefits that have been delivered or provided.

DEFINED BENEFIT PLAN

A pension or other retirement benefit plan other than a defined contribution plan. Usually, the plan rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or un-funded (including notionally funded).

DEFINED CONTRIBUTION PLAN

A pension or other retirement benefit plan into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent less deductions for all physical deterioration and all relevant forms of obsolescence.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset over its useful economic life.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

EFFECTIVE INTEREST RATE (METHOD)

A method that calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or income for that period. In this way the interest expense or income is recognised in a consistent manner over the life of the instrument.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)

For a funded defined benefit plan, the average rate of return, including both income and changes in fair value but net of plan expenses, expected over the remaining life of the related obligation on the actual assets held by the plan.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives. Typical financial instruments are:-

(i) Liabilities

- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Amounts relating to Council Tax, Non-Domestic Rates, Government Grants etc., are outside the scope of the accounting provisions as they are statutory issues, not arising from contracts.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, with the asset then recognised the lessee's Balance Sheet.

FINANCING ACTIVITIES

Activities that result in changes to the size and composition of the principal, received from or repaid to external providers of finance.

GENERAL FUND

The primary revenue account which records the cost of providing the majority of the Council's services.

GOING CONCERN

An assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Assistance in the form of cash or transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities of the Authority.

HISTORICAL COST

Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IAS19

This International Accounting Standard (IAS) is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

A class of non-current assets that are inalienable. Examples of infrastructure assets are bridges, roads and footpaths.

INTANGIBLE FIXED ASSET

"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights e.g. software licences.

INTEGRATED PROVISION

An arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that allows partner organisations, including Local Authorities, Primary Care Trusts and NHS Trusts to work within one management structure, and in doing so increasing the ability to join up services and provide seamless services for service users.

INTEREST COST (PENSIONS)

For a defined benefit plan, the expected increase during the period in the present value of a defined benefit obligation because the benefits are one period closer to settlement.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use or resale.

INVESTING ACTIVITIES

The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

LIQUIDITY RISK

The possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI) GRANT

An un-ringfenced grant from Central Government which was formerly paid to Local Authorities based on a number of factors around local economic growth. The notion of the grant was that it provided additional incentives for Authorities to work in partnership with businesses and other key partners to maximise such growth.

LOCAL PUBLIC SERVICES AGREEMENT (LPSA)

A government initiative that provided individual Authorities with the chance to sign up to challenging targets to deliver key national and local priorities in return for operational flexibilities and incentives, with rewards (including financial ones) for success.

MARKET RISK

The possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

MATERIAL/MATERIALITY

Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NATIONAL NON-DOMESTIC RATES (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines that national rate poundage, Local Authorities collect the sums due, but the proceeds are pooled (paid over) to Central Government, who re-distribute the sums back to Authorities on a pro-rata basis to the Authority's population.

NON-CURRENT ASSETS

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

NON-OPERATIONAL ASSETS

Non-current assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority.

OPERATING ACTIVITIES

Activities of the Authority that are not investing or financing activities.

OPERATING LEASES

A lease that does not transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The asset is recognised on the lessor's Balance Sheet.

Expenditure financed by operating leasing does not count against capital allocations.

PAST SERVICE COST/GAIN

For a defined benefit plan, the increase or reduction in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or revisions to, post-employment benefits.

PLAN LIABILITIES (or PLAN DEFINED BENEFIT OBLIGATIONS)

The liabilities of a defined benefit plan for outgoings due after the valuation date. Plan liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

POOLED BUDGET

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

PRECEPT

This is a charge levied by one public authority on the Council in order to finance its net expenditure. The precept is then collected on the preceptor's behalf by the Council by adding the precept to its own Council Tax and paying over the appropriate cash collected.

PRESERVED RIGHT TO BUY AGREEMENT

An agreement with Helena Housing made at the time of the full transfer of the Council's housing stock to Helena in July 2002. The conditions are such that the Council is entitled to a percentage share of subsequent 'Right to Buy' sales made by Helena to qualifying tenants. The sum paid to the Council under this agreement must be classed as a Capital Receipt.

PRIOR PERIOD ERROR

An omission from, or mis-statement in, the Authority's financial statements for one or more prior periods arising from a failure to use reliable information that was available when the financial statements were authorised for issue and that could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those statements.

PROJECTED UNIT CREDIT (ACTUARIAL COST) METHOD

An accrued benefits valuation method in which the plan's liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the plan liabilities at the valuation date relate to:-

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

(ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Under this method, the current service cost will increase as members of the plan approach retirement.

PROVISIONS

A liability of uncertain timing or amount.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

REFCUS (REVENUE EXPENDITURE FINANCED BY CAPITAL UNDER STATUTE)

Expenditure that is classified as revenue in accordance with proper accounting practices, but which statute determines may be financed by Capital sources of funding.

RELATED PARTIES

Related parties are those individuals and entities that the Council either has the potential to influence or control (or be influenced or controlled by). Related include central government, other bodies' precepting or levying demands on the Council Tax, its members and its chief officers

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:-

(i) an employer's decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE SUPPORT GRANT (RSG)

This is a Government grant in aid of Local Authority Services generally. It is based on the Government's assessment of how much an Authority needs to spend in order to provide a standard level of service.

REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services and includes salaries, goods and services. It is usually of a constantly recurring nature and produces no permanent asset.

SENIOR OFFICER

A Senior Officer is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (calculated pro rata for a part-time employee) and who is:-

(i) the designated Head of Paid Service, a statutory Chief Officer or a non-statutory Chief Officer of a relevant body, as defined under the Local Government and Housing Act 1989;

(ii) the head of staff for a relevant body which does not have a designated Head of Paid Service;

(iii) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

Senior employees are typically an Authority's Chief Executive (or equivalent), their direct reports (other than administration staff), statutory Chief Officers and potentially any employee that the Authority considers having responsibilities and powers indicated in (c) above. For St. Helens, Senior Officers are deemed to be members of the 'Chief Officer Group' plus the Chief Executive 4NW.

SETTLEMENT

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

SOFT LOAN

A loan that is made (for policy reasons, or other) below prevailing market rates, including any interest free loans. Commonly, such loans are to individuals or voluntary organisations in pursuance of locally defined priorities.

The fair value of such a loan is less than the amount of cash lent, and in accordance with accounting standards the fair value must be calculated as the present value of all estimated future cash receipts discounted by using the prevailing market rate of interest for a similar instrument and for an organisation/individual with a similar credit rating.

SPECIFIC GOVERNMENT GRANTS

These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

Previously issued by CIPFA, reviewed each year, and setting out proper accounting practices required for Statement of Accounts, the SORP had statutory status via the provisions of the Local Government Act 2003.

The SORP specified those principles and practices required to prepare a Statement of Accounts that ‘present fairly’ the financial position of a Local Authority. The SORP has now been superseded by the Code.

TERMINATION BENEFITS

Amounts payable as a result of either:

(i) an employer’s decision to terminate an employee’s employment before the normal retirement date; or

(ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits.

USEFUL LIFE

The period over which the Local Authority will derive benefits from the use of a non-current asset.

OTHER INFORMATION AVAILABLE

Should you require further information about St. Helens Council, a wide variety of information is available via the following:-

Internet

The Council website contains a whole host of up-to-date information on the activities of the Council and its partners (www.sthelens.gov.uk). This includes, but is not limited to, electronic versions of the documents detailed below.

Budget Book

Detailing the Council's budget (revenue and capital). Copies are kept in most Council Offices and Libraries.

Corporate Plan

Full copies of this important document are kept in most Council Offices and Libraries.

St. Helens First

A copy of this community magazine is distributed to all households in the Borough on a quarterly basis.

Council Tax Information Leaflet

This is issued annually with the Council Tax demand note to explain the Council Tax, Non-Domestic Rates and the finances of the Authority.

Council Minutes

Reference copies are kept in the Central Library.

If you experience any difficulty in obtaining any of the above or would like further details, please contact Ian Roberts, Assistant Chief Executive (Finance) at the Town Hall, St. Helens.

Alternatively, you can contact the Council's Contact Centre:

By telephone (01744 676789) during the following hours:

- Monday to Friday 8.00 a.m. to 8.00 p.m.
- Saturday 10.00 a.m. to 2.00 p.m.

Minicom: 01744 671671

In person at the offices in Wesley House, Corporation Street, St. Helens during the following hours:

- Monday to Friday 9.00 a.m. to 5.00 p.m.

By e-mail (contactcentre@sthelens.gov.uk)

Public Inspection of Accounts

Each year, usually in July, there is a specific time when the public may inspect the accounts. A public notice appears at least two weeks beforehand in the local press giving details of dates and times.